Consolidated Annual Financial Report

INTERCAPITAL PROPERTY DEVELOPMENT ADSIC

31st December 2018

Consolidated Report for the financial condition

Own capital and Liabilities	Notes	2018 '000 BGN	2017 '000 BGN
Non-current assets			
Property, plant and equipment	6	13 306	13 477
Investment property	7	23 746	26 699
Other receivables	11.2	-	447
Deffered Tax Assets		21	21
		37 073	40 644
Current assets			
Materials and Goods	9	942	1 060
Work-in-progress	10	295	328
Tax Receivables	13	10	10
Trade and Other receivables	11.1	5 118	4 750
Cash and cash equivalents	12.	98	172
Current assets		6 463	6 320
Total assets		43 536	46 964

Date: **19.04.2019**

Drafted: ____________________
/Optima Audit AD/

Executive Director: ____________________
/Velichko Klingov/

According to an audit report: ____________________
/Nicolay Polinchev/

Consolidated report for the financial condition (continued)

Equity and Liabilities	**Notes**	**2018 '000 BGN**	**2017 '000 BGN**
Equity			
Main/Share capital	14.1	6 011	6 011
Issue premiums	14.2	7 651	7 651
Revaluation reserve	14.2	5 878	5 963
General reserves	14.2	1	1
Cumulative loss, net		(19 760)	(15 460)
Total own capital		**(219)**	**4 166**
Liabilities			
Non-current liabilities			
Liabilities to financial institutions	15.2	16 095	16 095
Financial leasing	15.1	1 454	1 570
Other liabilities	18	1 320	873
Total non-current liabilities		**18 869**	**18 538**
Current liabilities			
Liabilities to financial institutions	15.2	997	386
Financial leasing	15.1	342	366
Bonds	15.3	4 838	4 407
Commercial Liabilities	16	5 643	7 304
Social security payables and salaries payables		404	296
Tax payables	17	954	467
Other liabilities	18	11 708	11 034
Total current liabilities		**24 886**	**24 260**
Total liabilities		**43 755**	**42 798**
Total Equity and Liabilities		**43 536**	**46 964**

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Consolidated report for the profit or loss or other comprehensive income

	Notes	31.12.2018 '000 BGN	31.12.2017 '000 BGN
Revenue from sales	19	3 556	5 354
Other revenue	20	76	16 302
Expenses for materials	21	(335)	(302)
Expenses for external services	22	(558)	(993)
Expenses for salaries	23	(361)	(301)
Expenses for depreciation	6	(89)	(113)
Other expenses	24	(3 252)	(8 475)
Operating profit/loss		**(963)**	**11 472**
Financial Income/expenses	25	(1 611)	(6 583)
Changes in the fair value of the investment property		(1 716)	(4 507)
Net profit/ (loss) before taxes		**(4 290)**	**382**
Expenses for current corporate income tax	26	**(10)**	**(39)**
Profit/(Loss) for the year after taxation		**(4 300)**	**343**
Income per share	27	**(0.72)**	**0.05**
Other comprehensive income			
Profit/Loss from revaluation of properties		**(85)**	**848**
Total annual comprehensive income		**(4 385)**	**1 191**

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Consolidated report for the Changes in Equity

All amounts are in '000 BGN	Share Capital	Premium reserves	Other Reserves	Undistributed Earnings/ (accumulated loss)	Total equity
Balance 1st January 2017	6 011	7651	5116	(15 803)	2 975
Profit/Loss				343	343
Other comprehensive income:					
Revaluation of non-current assets:					
Reductions			848		848
Total annual comprehensive income			848	343	1 191
Balance 31st December 2017	6 011	7651	5 964	(15 460)	4 166
Profit/Loss for the year				(4 300)	(4 300)
Other comprehensive income:					
Revaluation of non-current assets:					
Increases			(85)		(85)
Total annual comprehensive income			(85)	(4 300)	(4 385)
Balance 31st December 2018	6 011	7651	5 879	(19 760)	(219)

Date: **19.04.2019**

Drafted: ____________________ Executive Director: ____________________
/Optima Audit AD/ /Velichko Klingov/

According to an audit report: ____________________
/Nicolay Polinchev/

Consolidated Cash Flow Statement

	Notes	31.12.2018 '000 BGN	31.12.2017 '000 BGN
Cash flow from operating activities			
Customers` receivables		1 510	1 586
Suppliers` payables		(1 087)	(1 090)
Salaries and social securities payables		(433)	(452)
Paid/recovered taxes(excluding corp. tax)		(97)	(3)
Paid corporate taxes			-
Other operating activities` payments		33	-
Other payments from operations			(280)
Net cash flow from operating activities		**(74)**	**(239)**
Cash flow from investment activity			
Acquisition of property, plant and equipment		**-**	**(1)**
Net cash flow from investment activity		**-**	**(1)**
Cash flow from financing activity			
Proceeds on loans			
Payments on loans			-
Payments of interest, taxes			-
Net cash flow from financing activity			-
Net change in cash and cash equivalents		**(74)**	**(240)**
Cash and cash equivalents at the beginning of the period		172	412
Cash and cash equivalents at the end of the period		**98**	**172**

Date: **19.04.2019**

Drafted: ____________________ /Optima Audit AD/

Executive Director: ____________________ /Velichko Klingov/

According to an audit report: ____________________ /Nicolay Polinchev/

Explanatory Notes

1 General information

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

The Company was initially registered in the Sofia City Court Register by decision No:1 from 29.03.2005, batch № 92329 volume 1204, reg. 1, page 23 company case № 3624/2005. Cuurently the company is entered in the Commercial Registry by Bulstat Code is 131397743. The legal seat and the address of the Company`s management is Aksakov Str. № 7a, Sofia.

The Board of directors is composed as follows:

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

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

2 Basis for the preparation of 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 Comission 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 complied in compliance with the going concern principle. As of 31.12.2018 the company registers a net loss of BGN 4 385 thousand, a negative cash flow from operating activities in the amount of BGN 74 thousand. The sum of current liabilities exceeds the sum of current assets by BGN 18 423 thousand.

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 and principles debt repayment obligations. 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:

- 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 statemens.

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 1st 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 disclocure 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 assests 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 intial 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 1st 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 wring off the financial assests 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 assests 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 1st 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 introdution 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 amotized 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 foregn 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 assests 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

The company has adopted to present two comparative periods in all cases in order to provide consistency in the presentation for every year.

5.3 Basis for consolidation

The company's financial report has the consolidated financial reports of the parent enterprise and all subsidiaries as of 31.12.2018. 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 31.12.2018.
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 asets 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 orther 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	2018 ownership %	2017 ownership %
Marina Cape Management	Bulgaria	Renting and exploitation of real estate	100%	100%

EOOD				
Marina Cape Tours EOOD	Bulgaria	Tour operator activities	100%	100%

Below is summarized information regarding the company before internal eliminations:

	2018	2017
	'000 BGN	**'000 BGN**
Non-current assets	37 110	40 686
Current assets	12 147	11 805
Total assets	49 257	52 491
Non-current liabilities	18 869	18 538
Current liabilities	30 570	29 746
Total liabilities	49 439	48 284
Equity related to the owners of the parent company	(182)	4 207
Income	4 286	22 323
Profit/(loss) for the year	(4 304)	327
Other comprehensive income/(loss) for the year	(85)	848
Total comprehensive income / (loss) for the year	(4 389)	1 175
Net operating cash flows	(74)	(239)
Net cash flows from investment	-	(1)
Net cash flows from financial activities	-	-
Net cashflow	(74)	(240)

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 transcation (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, recodded 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 valuated 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.

Income from interest and dividends

Interest income is accounted for using the effective interest method, which is the percentage that accurately discounts the expected future cash payments for the expected term of the financial instrument or for a shorter period, where appropriate, to the carrying amount of the financial asset. Interest income is included in financial income in the income statement. Interest income from financial assets at fair value through profit or loss is included in net profit / (loss) from their fair value. Interest income on financial assets measured at amortized cost and financial assets measured at fair value in other comprehensive income calculated using the effective interest method are recognized in the income statement. Interest income is calculated by applying the effective interest rate on the gross carrying amount of financial assets, except for financial assets that are subsequently impaired. For them, an effective interest rate is applied to the net carrying amount of the financial asset (after deducting the loss compensation).

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.

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 asets 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 recored 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 appliet 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)

5.7 Property, plant and equipment (non-current tangible assets)

Property, plant and equipment is measured initially at cost, including cost of acquisition, and all direct costs of bringing the asset to working condition.

Subsequent measurement of land and buildings is carried at a revalued amount that is equal to the fair value at the revaluation date, less subsequent accumulated depreciation and impairment losses. The revaluations are presented in the statement of comprehensive income and are accounted for at the expense of equity (revaluation reserve) if they are not preceded by previously charged expenses. Upon sale or write-off of the revalued asset, the remaining revaluation reserve is recognized at the expense of retained earnings.

Subsequent valuation of all other groups of assets is carried at cost less accumulated amortization and impairment losses. Impairment is recognized as an expense and recognized in the profit or loss and other comprehensive income for the period.

Subsequent expenditures related to a certain asset, plant and equipment are added to the carrying amount of the asset when it is probable that the Group will have economic benefits that exceed the initially estimated cost of an existing asset. All other subsequent costs are recognized as an expense for the period in which they are incurred.

The Group has adopted the alternative approach for subsequent land and buildings valuation and the recommended for all other non-current tangible assets.

Value increases, based on revaluation of the land, are accounted for by an increase in reserves. Discounts up to previous increases for the same asset will be reported as a decrease in the same reserve. Further reductions in the value of the asset are reported as a reduction of the additional reserves (if any) or as a current expense.

The revaluation reserve is recognized as retained earnings after the asset has been decommissioned.

Non-current assets' results are determined by comparing the proceeds with the carrying amount and reported in the financial result for the period.
When the carrying amount of a non-current asset is higher than the recoverable amount, that asset is impaired to its recoverable amount.

Property, plant and equipment acquired under finance leases is amortized on the basis of the expected useful life, determined by comparison with similar assets or on the basis of the value of the lease if its term is shorter.

Depreciation is calculated using the straight-line method over the estimated useful life of individual assets as follows:

- Buildings 25 years
- Machinery 3.3 years
- Cars for 4 years
- Inventory 6.67 years
- Facilities 10 years
- Computers 2 years
- Other 6.67 years (software)

The selected materiality threshold for property, plant and equipment of the Group amounts to BGN 700.

5.8. Inventories

Inventories are measured at the lower of cost and net realizable value.
Costs incurred in connection with the delivery of inventories to their present location and condition are reported as follows:
Materials - delivery value determined based on the "weighted average" method;
Finished production and work in progress - the value of used direct materials, labor total production costs, allocated on the basis of normal production capacity, excluding borrowing costs.
Net realizable value is the estimated selling price in the ordinary course of business minus the estimated costs of completion of the production cycle and those necessary to realize the sale.

5.9. Impairment testing of intangible assets and property, plant and equipment

When calculating impairment, the Group defines the smallest identifiable group of assets for which cash flows may be designated as a cash-generating unit. As a result, some of the assets are subject to an impairment test on an individual basis and others on a cash-generating unit basis.

All assets and cash-generating units are tested for impairment when events or changes in circumstances indicate that their carrying amount may not be recovered.

When the recoverable amount of an asset or cash-generating unit is lower than the carrying amount, the latter should be reduced to the recoverable amount of the asset. This decrease is an impairment loss. In order to determine the recoverable amount, the Group's management calculates the expected future cash flows for each cash-generating unit and determines the appropriate discount factor for the purpose of calculating the present value of those cash flows. The data used for impairment testing are directly related to the Group's last approved forecast budget, adjusted as necessary to exclude the effects of future reorganisations and significant asset improvements. Discount factors are determined separately for each cash-generating unit and reflect the risk profile estimated by the Group's management.

Impairment losses per unit of cash-generating unit are allocated to a reduction in the carrying amount of the assets of that unit in proportion to their carrying amount. The management of the Group subsequently assesses whether there are indications that the impairment loss recognized in prior years may no longer exist or be impaired. Impairment recognized in a prior period is reversed if the recoverable amount of the cash-generating unit exceeds its carrying amount.

5.10. Investment property

The Group recognizes as investment property buildings that are held for rental income or capital increase or for both, but also for sale in the ordinary course of business.

Investment property is recognized as an asset in the Group's financial statements only if the following two requirements are met:

- It is likely that future economic benefits from investment properties will be obtained
- the value of investment properties can be reliably estimated.

Investment property is initially measured at cost, including the purchase price and any costs that are directly related to the investment property, such as fees for legal services, property transfer taxes and other transaction costs.

After initial recognition, investment property is accounted for using the fair value model. Fair value is the most likely price that can be obtained on the market at the balance sheet date. Investment property is revalued on an annual basis and included in the Profit or Loss Account and other comprehensive income at market rates. They are defined by independent assessors with professional rankings and significant professional experience, as well as recent experience in the location and category of the valued property, based on evidence of market conditions.

The gain or loss arising from a change in the fair value of the investment property is included in the profit or loss for the period in which it arises.

Subsequent costs relating to investment property that are already recognized in the Group's financial statements are added to the carrying amount of property, when it is probable that the Group will receive future economic benefits in excess of the initially estimated value of the existing investment property. All other subsequent costs are recognized as an expense in the period in which they arise.

The Group derecognises its investment property upon sale or permanent decommissioning if no economic benefits are expected from their sale. Gains or losses arising from their disposal or disposal are recognized in the Profit or Loss Account and other comprehensive income and are determined as the difference between the net proceeds of sale and the carrying amount of the asset.

Rental income and operating expenses associated with investment property are reported as "income from sales" and "costs of materials", "external service costs" and "other expenses" respectively. In principle, income from investment property (rent) is an investment income and is stated separately.

5.11. Financial instruments

Financial Instruments - Initial Recognition and Subsequent Measurement
Initial recognition
The Group classifies upon initial recognition of financial assets in the following categories: Estimated at amortized cost,

The classification is determined on the basis of the business model for management of the given class of financial assets and the contractual characteristics of the cash flows. Investments held by the Group for the purpose of profit from short-term sales or repurchase transactions are classified as financial assets held for trading. Investments in debt instruments that the Group holds within a business model for the purpose of collecting the contracted cash flows are classified as financial assets at amortized cost. Investments in debt instruments that the Group holds within a business model for the purpose of collecting contracted cash flows and sales are classified as financial assets at fair value through other comprehensive income.
Financial assets at amortized cost
The following financial assets of the Group may fall under this category, depending on the business model chosen and the cash flow characteristics: trade receivables, loans and borrowings, lease receivables, receivables on deposits, receivables on receivables, receivables acquired through cessions, loans and loans acquired through cessions, held-to-maturity investments.

Trade receivables
Trade receivables are amounts due from customers for goods or services sold in the ordinary course of business of the Group. They usually have a settlement within 30 days and are therefore all classified as current. Trade receivables are recognized initially at the amount of the unconditional amount receivable unless they contain significant financial components, then they are recognized at fair value. The Group holds trade receivables for the purpose of collecting the contractual cash flows and is therefore subsequently valued at amortized cost using the effective interest method.

Other receivables
These amounts usually arise from transactions outside the Group's normal operating activities. Interest may be charged on market interest rates when the repayment term exceeds six months. Usually collateral is not received. Non-current other receivables are due and payable within three years after the end of the reporting period.

Subsequent measurement of financial assets
Financial assets at amortized cost
After initial recognition, assets are measured at amortized cost.

Depreciation at amortized cost requires the application of the effective interest method. Amortized cost of a financial asset is the amount at which the financial asset was initially recognized less the principal repayments plus or minus the accumulated amortization using the effective interest method of any difference between the original and the maturity and less impairment.

Financial assets measured at fair value through other comprehensive income
After the initial recognition, the asset is measured at fair value, taking into account changes in fair value in the revaluation reserve of securities investments (other comprehensive income). When the debt instrument is written off, accrued gains or losses recognized in other comprehensive income are transferred to profit or loss.

Financial assets at fair value through profit or loss
After initial recognition, the asset is measured at fair value, taking into account changes in fair value in profit or loss.

Impairment of financial assets
The Group recognizes impairment for expected credit losses for all debt instruments that are not carried at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows and all cash flows that the Group expects to receive discounted on an annual basis at the original effective interest rate.

The amount of expected credit losses recognized as an allowance for impairment depends on the credit risk of the financial asset at its initial recognition and on the change in credit risk in subsequent reporting periods. Three stages of credit risk exacerbation have been introduced, with specific reporting requirements being set for each stage.

- Stage 1 (regular exposures) - financial assets are classified without an indication of credit risk increase over the initial valuation. For financial instruments for which there has been no significant increase in credit risk compared to initial recognition, a credit correction is recognized for expected credit losses that arise from possible default over the next 12 months.
- Stage 2 (disrupted exposures) - financial assets with a significant increase in credit risk are classified as compared to the initial valuation but without objective evidence of impairment. For those credit exposures for which there has been a significant increase in credit risk as compared to initial recognition, recognition is required. Interest is calculated on the basis of the gross book value of the instrument.
- Stage 3 (exposures with credit impairment) - financial assets with a significant increase in credit risk are classified and for which there is objective evidence of impairment. For those non-performing exposures, recognition of credit impairment for the residual life of the exposure, regardless of the time of default, is required. Interest is calculated on the basis of the amortized cost of the asset.

Trade receivables and contract assets
The Group applies the Simple Approach to IFRS 9 to Measure Expected Credit Losses for which it is accounted for impairment for expected lifetime loss for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets are grouped on the basis of shared credit risk characteristics and past due dates. Contractual assets refer to unfulfilled work and have the same risk characteristics as trade receivables for the same types of contracts. Therefore, the Group estimates that the expected credit losses for trade receivables for 2018 are a reasonable approximation of the credit losses for the contract assets.

The Group recognizes in the profit or loss, such as loss or impairment, the amount of expected credit losses (or reversal). When the credit loss adjustment is recognized through other comprehensive income, any adjustment in it is recognized in other comprehensive income.

Write off of financial assets

A financial asset is derecognised by the Group when the contractual rights to cash flows from that asset mature or when the Group has transferred those rights through a transaction in which all material risks and rewards resulting from the ownership of the asset are transferred to the buyer. Any interest in a previously transferred financial asset that the Group retains or creates is reported separately as a separate asset or liability.

Where the Group has retained all or most of the risks and rewards of assets, the latter are not derecognised from the statement of financial position (examples of such transactions are repurchase agreements - sale with repurchase agreement).

For transactions in which the Group neither retains nor transfers the risks and rewards associated with a financial asset, the latter is derecognised from the statement of financial position when and only when the Group has lost control of it. The rights and obligations that the Group retains in these cases are reported separately as an asset or liability. For transactions in which the Group retains control of the asset, its reporting in the statement of financial position continues to the extent determined by the extent to which the Group retains its interest in the asset and carries the risk of a change in its value.

Subsequent measurement of financial liabilities

The ex post assessment of financial liabilities depends on how they were classified at initial recognition. The Group classifies its financial liabilities into one of the following categories:

Liabilities measured at fair value through profit or loss

Liabilities are classified in this category when they are principally held for sale in the near future (trade payables) or are derivatives (with the exception of a derivative that is intended for and is an effective hedging instrument) or meets the conditions for falling into that category defined in the initial recognition. Any changes in fair value attributable to liabilities at fair value through profit or loss are recognized in profit or loss and other comprehensive income at the date they are incurred.

Liabilities measured at amortized cost

All liabilities that are not classified in the previous category fall into this category. These liabilities are stated at amortized cost using the effective interest method.

Items classified as trade and other payables are generally not revalued because the liabilities are known with a high level of security and the settlement is short-term.

This category typically includes the following financial liabilities of the Group: trade payables, loans and borrowings, lease liabilities, deposit receivables, cession liabilities.

Write off of financial liabilities

The Group derecognises a financial liability when its contractual obligations are extinguished, expire or revoked.

The difference between the carrying amount of the derecognised financial liability and the consideration paid is recognized in profit or loss.

Compensation of a financial asset and financial liability

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when:
• has a legally enforceable right to offset the amounts recognized; and
• intends either to settle on a net basis or to realize an asset and simultaneously settle a liability.

The offsetting of a recognized financial asset and a recognized financial liability and the presentation of the net amount differ from the write-off of a financial asset or financial liability. The right to compensation is the legal right of a debtor under a contract to settle or otherwise eliminate all or part of the amount owed to a creditor by deducting from that amount an amount owed by the lender.

6 Property, plant and equipment (Tangible assets)

The Group's property, plant and equipment includes Land, Computer Equipment, Vehicles. Their carrying amount 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
Book Value						
Balance as of 1st January 2018	5 873	503	111	996	7 073	14 556
Newly acquired assets			3			3
Written-off assets				(297)		(297)
Преоценка:						
Revaluation						
Discount	(85)					(85)
Balance as of 31st December 2018	**5 788**	**503**	**114**	**699**	**7 073**	**14 177**
Depreciation						
Balance as of 1st January 2018		**(159)**	**(93)**	**(827)**		**(1 079)**
Depreciation		**(20)**	**(3)**	**(66)**		**(89)**
Written-off depreciation				**297**		**297**
Balance as of 31st December 2018		**(179)**	**(96)**	**(596)**		**(871)**
Book Value as of 31st December 2018	5 788	324	18	103	7 073	13 306

	Land	Buildings	Machinery	Transport vehicles and others	Expenses for acquiring assets	Total
	'000 BGN	'000 BGN	'000 BGN	'000 BGN	'000 BGN	'000 BGN
Book Value						
Balance as of 1st January 2017	5 025	503	333	1 264	7 073	14 198
Newly acquired assets			2	4		6
Disposed						
Land revaluation			(224)	(273)		(496)
Increases						
Decreases						
	848					848
Balance as of 31st December 2017	**5 873**	**503**	**111**	**996**	**7 073**	**14 556**
Depreciation						
Balance as of 1st January 2017		(140)	(326)	(984)		(1 450)
Depreciation		(19)	(4)	(90)		(113)
Balance as of 31st December 2016			237	247		484
Book Value as of 31st December 2017		**(159)**	**(93)**	**(827)**		**(1 079)**

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

7 Investment property

The properties that are built and for which the Company has received Certificate for exploitation and that are not sold and respectively transferred to clients are reported in the item "Investment property", because the Company is restricted to operate the constructed assets by itself and it could realize income through assigning the management of those assets to third parties. The investment properties are valuated initially at their direct cost which includes all the expenditures that are directly related to the particular investment property – such as construction-assembly works, project services, legal fees and other expenditures. After their initial recognition the investment properties are reported through the use of the model of the fair value.

Pursuant to the Special Purpose Vehicles Act the Board of Directors has assigned the completion of revaluation as of 31.12.2018 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 2018 and 2017.

	Investment properties '000 BGN.
Book value as of January 01, 2018	**26 699**
Newly acquired assets	346
Written-off assets	(1 583)
Net loss from the change in fair value of the inv. properties	(1 716)
Book value as of December 31, 2018	**23 746**

	Investment properties '000 BGN.
Book value as of January 01, 2017	**35 637**
Newly Acquired Assets	263
Written-off assets	(4 694)
Net loss from the change in fair value	(4 507)
Book value as of December 31, 2017	**26 699**

The group invests in the construction of two sites - "Marina Cape" and "Grand Borovets", a detailed presentation of which is presented below.

Facility Marina Cape

The Marina Cape Vacation Complex is located in the peninsula of the Black Sea town of Aheloy, which allows for scenic views of both the bay and the open sea. This reflects both the city planning solution - the plastic S-shaped form of the first and second zones, as well as the shaping of individual dwellings. Vertical accent in the general silhouette is the sea lighthouse and the clock tower.

The complex consists of four separate zones, deployed on a property of 40 000 sq.m. and forming a total built-up area of over 66,000 sq. m with a total of 761 apartments. The complex has 4 restaurants, 4 cafes, 14 shops, two squash halls (licensed by the Squash Federation), a medical-dental center, a fully equipped and working fitness and spa center, a bowling alley, a children's center, a room provided for bank office, administrative part, offices, two swimming pools and service rooms to the respective sites.

Each of the zones consists of separate sectors (a total of 27), with the majority being residential, with the exception of those intended for: a bank office, a sports and recreation area, a children's center and a sector 27 - a two-level restaurant. Part of the residential sectors include public buildings - restaurants, cafes, shops, offices, medical center premises, fitness. In the central part of the complex there is a swimming pool with a total area of 910 sq.m. with a water bar and a children's pool, and in the northeast there is a swimming pool with an area of 470 sq.m.

As an unfinished construction, the amount of BGN 295 thousand is accounted for, which represents the accumulated expenses for the sale of properties in Marina Cape Complex, which will be recognized as an expense in the recognition of the sale proceeds with a notarial deed or the transferred right of use, compliance with the principle of comparability of revenue and expenditure.

Property Grand Borovets

The project envisages the construction of residential properties mainly for holiday use in a separate complex of buildings. The complex bears the trade name "Grand Borovets". It is located in the area in the resort. Borovets. Borovets is located 62 km.

The commercial and administrative area and the facilities for the complex are located on the ground floor and basement. These include a reception lounge with reception and administration, a lobby bar, a restaurant for 110 seats with a banquet hall and a covered terrace, two shops, a ski wardrobe, a fitness and spa center, a covered pool, a children's center, a bowling alley, a hairdressing salon, and technical and service spaces and sanitary facilities, including for people with disabilities. The total commercial area is 3 140 sq.m. The complex also has a covered parking on two levels for 34 parking spaces and an outdoor parking lot with 16 parking spaces.
The residential part of the complex consists of 75 apartments with total built-up area of 5 175 sq.m. They represent 41 studios, 14 apartments, mainly one-bedroom, and a wide variety of maisonettes.

Sale of investment properties

Revenue from sale of investment property is recognized when the Group measures fair value the consideration received or receivable, taking into account the amount of any trade discounts and quantitative rebates made so far. When exchanging similar assets that have a similar price, the exchange is not considered as a revenue-generating transaction. Revenues are recognized at the time they are incurred and costs are accrued in accordance with the principle of comparability with the realized income.
Under the fair value model, all investment properties are measured at fair value as at 31 December of the reporting year and the difference between the carrying amount and the fair value is recognized as income or expense from the revaluation of investment property in the income statement. Depreciation of investment properties is not accrued.

The Group derecognises its investment property upon sale or permanent decommissioning if no economic benefits are expected from their sale. Gains or losses arising from their disposal or disposal are recognized in the income statement and are determined as the difference between the net proceeds of sale and the carrying amount of the asset.

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	**Program Products '000 BGN.**	**Total '000 BGN.**
Carrying value	**66**	**66**
Balance at December 31, 2018	66	66
Depreciation		
Balance at January 01, 2018	(63)	(63)
Write-off assets		
Depreciation	(3)	(3)
Balance at December 31, 2018	(66)	(66)
Book value at December 31, 2018	-	-

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

9.1 Inventories

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

	31.12.2018 '000 BGN.	**31.12.2017 '000 BGN.**
Materials	593	706
Goods	349	354
Inventories	**942**	**1 060**

	31.12.2018 '000 BGN.	**31.12.2017 '000 BGN.**
Fuel-lubricant	8	8
Basic materials	585	692
Materials Snack Bar	-	5
Materials Pizza	-	1
Total:	**593**	**706**

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.

	31.12.2018 '000 BGN.	31.12.2017 '000 BGN.
Goods in stock - furniture	227	227
General stock – goods	122	122
Supermarket	-	5
Total:	**349**	**354**

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.

10 Work in progress

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

Work in progress	31.12.2018 '000 BGN	31.12.2017 '000 BGN
"Marina Cape" project*	295	328
Total:	**295**	**328**

As of 31.12.2018 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 295 thousand (2017 – 328 thousand BGN), 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).

11 Trade receivables

11.1 Current

	31.12.2018 '000 BGN.	31.12.2017 '000 BGN.
Local and foreign persons	157	224
Grand Borovetz 2013 EOOD	3 035	3 068
Advances paid	349	5
Others	108	189
Trade receivables	**3 649**	**3 486**
Deferred expenses on leaseback contract	446	446

Others	1 023	818
Other receivables	**1 469**	**1 264**
Current trade and other receivables	**5 118**	**4 750**

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.

8.1 Non-Current other receivables

	31.12.2018	31.12.2017
Defered expenses under a leaseback contract	-	447
	-	**447**

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" EAD. 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.

12 Money and money equivalents

Money and money equivalents include the following components:

	31.12.2018 '000 BGN.	31.12.2017 '000 BGN.
Money in banks and in cash:		
- in cash	84	139
- deposits	12	5
- blocked money	2	28
Money and money equivalents	**98**	**172**

The sum of money and money equivalents, blocked for the Group as of 31.12.2018 is in the amount of 2 thousand BGN (28 thousand BGN for 2017). All limitations connected with the bank deposits have been removed as of the date of approval of the consolidated financial report.

13 Tax receivables

	31.12.2018 '000 BGN.	31.12.2017 '000 BGN.
VAT recovery	10	10
Total:	**10**	**10**

14 Equity

14.1 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.

	31.12.2018 '000 BGN	31.12.2017 '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 March 31	**6 011 476**	**6 011 476**

14.2 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.

	31.12.2018 '000 BGN.	31.12.2017 '000 BGN.
Premium reserve from issuing	7 651	7 651
Other reserves	1	1
Reserve from following asset evaluations	5 878	5 963
Total reserves	**13 530**	**13 615**

15 Loans

The loans include the following financial liabilities:

	Current		Non-current	
	2018 '000 BGN.	2017 '000 BGN.	2018 '000 BGN.	2017 '000 BGN.
Bank loans	997	386	16 095	16 095
Bonds	4 838	4 407		-
Financial leasing	342	366	1 454	1 570
Total loans	**6 177**	**5 159**	**17 549**	**17 665**

15.1 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 asets, 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 Prodject" 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 20th 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

15.2 Bank Loans

The table below presents the principal liabilities of the received credits from financial institutions with allocation of the liability as of 31.12.2018, depending on the maturity:

Name of creditor	Short term liability, EUR	Long term liability, EUR	Maturity
Futures Capital		5 666 365,61	31.12.2027
ECM Consult		2 562 680,06	31.12.2027

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.

With a Contract for the transfer of a claim, signed on 11.10.2018 between FIGHTERS CAPITAL AD, UIC 201624613, as a cedant, and UNCONSULT EOOD, UIC 122052919 as trainer, notarized signatures with registration number 16421 and No. 16422 dated 11.10.2018, Tihomir Genchev, assistant notary in the notary public Tsvetanka Simeonova, entered in the NC with post № 030 and area of action - PC Sofia region, "AMS EMC CONSULT" EOOD acquired from FUTURES CAPITAL AD the following receivables with debtor INTERCAPITAL PROPERTY DEVELOPMENT REIT, namely: Under the Investment Loan Agreement № 1236/2007 of 19.10.2007 lavnitsa - 2562 680.06 euros.

The table below shows the main details of the Company's credits as of 31.12.2018

Name of creditor	Interest rate	Maturity	Currency in which payments are made
Futures Capital	3.8%	30.01.2027	Euro
ECM Consult	3.8%	30.01.2027	Euro

15.3 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 6th, 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 m2, owned by the company, located in Marina Cape, Aheloy, Pomorie Municipality, Burgas district. The mortgage contract was signed by notary deed for contractual mortgege 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 6th 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)	Date/amount (euro)	Date/amount (euro)	Date/amount (euro)	Date/amount (euro)	Date/amount (euro)
14.02./ 62 500	14.02./ 62 500	14.02./ 125 000	14.02. /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 5th 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.

16 Trade payables

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

Current:	**31.12.2018 '000 BGN.**	**31.12.2017 '000 BGN.**
Water Supply and Sewerage EAD, Burgas	162	183
Ventenedgy OOD	157	157
Marina Cape Properties OOD	153	156
IP Intercapital Markets AD	363	269
Advances from clients	4 082	5 371
Others	726	1 168
	5 643	**7 304**

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

17 Tax payables

Tax payables include:

	31.12.2018 '000 BGN.	**31.12.2017 '000 BGN.**
VAT	347	294
Local Taxes	444	
Others	163	173
	954	**467**

Tax paybles as of December 31, 2018 are VAT, DOD, corporate tax for 2016, 2017 and 2018, as well as local tax and fee obligations for the period 2012-2018 to be paid in 2019 according to an agreement with the NRA and an agreement with the Municipality of Pomorie.

18 Other Liabilities

The other liabilities can be summarized as follows:

	31.12.2018 '000 BGN.	**31.12.2017 '000 BGN.**
Non-current:		
Other non-current liabilities	1 320	873
	1 320	**873**
Current:		
Other current liabilities	11 708	11 034
	11 708	**11 034**

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.

19 Sales Revenues

Sales revenues of the group can be analyzed as follows:

	31.12.2018 '000 BGN.	31.12.2017 '000 BGN.
Income from sale of investment properties	1 645	3 364
Income from sale of producion	350	211
Income from sale of goods	37	210
Income from sale of services	1 370	1 306
Other income	154	263
	3 556	**5 354**

20 Other revenues

	31.12.2018 '000 BGN	31.12.2017 '000 BGN
Written-Off Revenues	76	16 302
Total	**76**	**16 302**

In 2018 debts to customers / counterparties were written off in the amount of BGN 52 thousand in connection with the expiration of a limitation period for liabilities.

21 Expenses for materials

Expenses for materials include:

	31.12.2018 '000 BGN.	31.12.2017 '000 BGN.
Expenses for materials	(171)	(98)
Expenses for electricity and heat	(122)	(168)
Other expenses	(42)	(36)
	(335)	**(302)**

22 Expenses for external services

Expenses for external services include:

	31.12.2018 '000 BGN.	31.12.2017 '000 BGN.
Communication services	(33)	(34)
Taxes, accounting, auditor and consultant services	(127)	(183)
Others	(398)	(776)
	(558)	**(993)**

23 Personnel Expenses

The salary expenses include:

	31.12.2018 '000 BGN.	30.09.2017 '000 BGN.
Salary expenses	(302)	(254)
Salary for social security contributions	(59)	(47)
Personnel expenses	**(361)**	**(301)**

On average the listed personnel in the Group is 37 people. There are no accruals for provisions for holiday leave.

24 Other expenses

Other expenses include:

	31.12.2018 '000 BGN.	31.12.2017 '000 BGN.
Book value of sold assets	(1 708)	(4 851)
Changes in production stock and uncompleted production (Sold production)	(240)	(150)
Acknowledgment of loss from backlease	(446)	(446)
Writen off receivables	(41)	(2 274)
Sales expenses	(33)	(467)
Local taxes	(361)	-
defaults	(239)	-
Other expenses	(184)	(287)
	(3 252)	**(8 475)**

25 Financial Income/Expenses

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

Financial expenses	31.12.2018 '000 BGN.	31.12.2017 '000 BGN.
Interest expenses	(1 600)	(6 575)
Other financial expenses	(11)	(8)
Total Financial expenses	**(1 611)**	**(6 583)**

26 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 2018 the subsidiary Marina Cape Management EOOD was charget income tax in the amount of 10 thousand BGN. In comparison, in 2017, the corporate tax charged was 39 thousand BGN.

27 Earning/(Loss) per share and dividends

27.1 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:

	31.12.2018 '000 BGN	31.12.2017 '000 BGN
Profit / (loss), attrubutalbe to shareholders (in '000 BGN)	(4 300)	343
Weighted AvegeNumber of Shares (in '000 BGN)	6 011	6 011
Basic Earnings per Share (in '000 BGN.)	(0.72)	0.05

27.2 Dividends

The group has not paid out dividends in 2018 and 2017

28 Related party Transactions/ Insider Transactions

Insiders to the company incude the shareholders of the Company, key managmenet personell and other related persons described below.

Transactions with key managmenet personell

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

	31.12.2018 '000 BGN.	31.12.2017 '000 BGN.
Remunerations:	138	108
Remunerations of the management personnel in the Group	139	118
Total remunerations	**277**	**226**

29 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 DIVELOPMANT" 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 contractsregarding Intercapital Property Development ADSITS' 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 identificator 0833.5.409.20.101, with area 46.00 m2.;
- Property in building with identificator 0833.5.409.18.13, with area 59.00 m2.;
- Property in building with identificator 0833.5.409.19.29, with area 63.00 m2.;
- Property in building with identificator 0833.5.409.20.35, with area 46.00 m2.;
- Property in building with identificator 0833.5.409.20.85, with area 42.00 m2.;
- Property in building with identificator 0833.5.409.22.12 with area 37.00 m2.;

30 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 31st December 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":

	31.12.2018 '000 BGN.	31.12.2017 '000 BGN.
Credits and receivables		
Financial Assets		
Receivables from clients and other receivables	5 128	4 760
Money	98	172
Total	5 226	4 932

Other financial liabilities

Financial liabilities		
Liabilities towards suppliers and other liabilities	43 755	42 798
Total:	**43 755**	**42 798**

(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 December 31, 2017, 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) Analisys 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.

31 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:

	31.12.2018 '000 BGN.	**31.12.2017 '000 BGN.**
Equity	6 011	6 011
+Increase	-	-
- Decrease	-	-
Corrected equity	**6 011**	**6 011**
Total equity:	**6 011**	**6 011**

32. Information regarding events after the balance sheet reporting date

No such events occured