

# MARINA CAPE MANAGEMENT EOOD

Interim Financial Report

30 September 2017

## Notes

### 1. General information

The company "Marina Cape Management" EOOD is registered in compliance with the Trade Law as an Entity with limited liability. The Company's main activity is related to management and maintenance of properties, renting real estates, consulting and intermediary activity.

The Company is registered as an entity with limited liability and is entered in the Commercial Registry in the Sofia City Court; company case No 12083/ 2006, batch No. 109422, volume 1476, and page 149. The Company Number is 175158218. The legal seat and address of the Company is: 7a Aksakov Str., Sofia.

Manager of the Company is Nikolay Rossenov Handzhiev.

### 2. Basis for financial statements preparation

The Company organizes and performs the current accounting in compliance with the requirements of the Bulgarian legislation regarding accounting, taxation and trade.

The financial statements of the Company are prepared in compliance with IFRS approved by the European Commission. They include the International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and SIC - IFRS interpretations. IFRS also include the subsequent changes and complements of these standards and their interpretation, as well as the future standards and their interpretations elaborated by the International Accounting Standards Board (IASB).

### 3. Comparative data

In the present report a comparative data as of the previous period for 2016 is presented.

### 4. Properties, machinery, facilities and equipment (Tangible assets)

The book value of properties, machinery, facilities and equipment can be presented as follows:

	Fixtures and fittings	Buildings – investment properties	Machines and equipment	Vehicles	Total
	'000 BGN	'000 BGN	'000 BGN	'000 BGN	'000 BGN
<b>Carrying value</b>					
Balance as of January 1 2017.	170	570	353	546	1639
Newly acquired assets	1		2		3
Written-off assets				234	234
<b>Balance as of 30 September 2017.</b>	<b>171</b>	<b>570</b>	<b>355</b>	<b>312</b>	<b>1408</b>

### Depreciation

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Balance as of 1 <sup>st</sup> January 2017	157	164	346	487	1154
Written-off assets				208	208
Depreciation	5	17	3	20	45
<b>Balance as of 30 September 2017</b>	<b>162</b>	<b>181</b>	<b>349</b>	<b>299</b>	<b>991</b>
<hr/>					
Revaluation of tangible assets					
<b>Balance as of 30 September 2017</b>	<b>9</b>	<b>389</b>	<b>6</b>	<b>13</b>	<b>417</b>

The Company owns property – 2 buildings. They are acquired through a purchase contract with the mother company. In the buildings are located 2 commercial objects – Snack bar “Antika”, Pizzeria “Antika” and “Biraria”.

## 5. Intangible non-current assets

The intangible assets of the Company include acquired software licenses. Their book value for the current reporting period can be presented as follows:

<b>Intangible Assets</b>	<b>Licenses '000 BGN</b>	<b>Total '000 BGN</b>
<b>Carrying value</b>		
Balance as of 1 <sup>st</sup> January 2017	63	63
Newly acquired assets	0	0
Written-off assets		
Balance as of 30 <sup>th</sup> September 2017	<b>63</b>	<b>63</b>
<b>Depreciation and impairment</b>		
Balance as of 1 <sup>st</sup> January 2017	60	60
Written-off assets		
Depreciation	2	2
Balance as of 30 <sup>th</sup> September 2017	<b>62</b>	<b>62</b>
<b>Total Balance as of 30<sup>th</sup> September 2017</b>	<b>1</b>	<b>1</b>

## 6. Financial assets – investments in subsidiaries

The Company has the following investments in subsidiaries:

<b>Name of the subsidiary</b>	<b>30.09.2017</b>	<b>%</b>	<b>31.12.2016</b>	<b>%</b>
	<b>'000 BGN.</b>	<b>участие</b>	<b>'000 BGN.</b>	<b>ownership</b>

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	10	100	10	100
<b>Total</b>	<b>10</b>	<b>100</b>	<b>10</b>	<b>100</b>

The Resolution of the Board of Directors of "Intercapital Property Development" ADSIC, as a private owner of the capital of "Marina Cape Tours" EOOD, to sell all the shares of "Marina Cape Tours" EOOD to "Marina Cape Management" EOOD was taken on 28.10.2009. The Resolution of the Board of Directors of "Intercapital Property Development" ADSIC, as a private owner of the capital of "Marina Cape Management" EOOD, to purchase the shares was taken on 29.10.2009.

The Contract for transferring the company's shares was signed on 02.11.2009 and the change of the private equity owner was registered in the Commercial Register on 04.11.2009 under No. 20091104123740.

## 7. Materials

	30.09.2017	31.12.2016
	'000 BGN	'000 BGN
Fuel greasing	9	9
Basic materials	692	685
Materials Snack bar	22	14
Materials Pizzeria	22	16
Materials Pub	-	-
<b>TOTAL:</b>	<b>745</b>	<b>724</b>

The basic materials form the contents of the product of labor or play a main role in the exploitation activity. These are materials with a low useful duration which shall be calculated directly in the cost of the tourist service. These are beddings, electrical devices, folding temporary beds, curtains for the serviced apartments, spare parts, metal trash containers, sanitary materials etc.

## 8. Goods for sale

	30.09.2017	31.12.2016
	'000 BGN	'000 BGN
Inventory - furniture	227	226
Other inventory	122	104
Fruit and vegetables	-	-
Supermarket	7	6
Bowling bar	-	-
<b>Total:</b>	<b>356</b>	<b>336</b>

The Company maintains a high level of warehouse goods. These are mostly purchased furniture – pieces of furniture, electronic devices, and sanitary ware. The same goods are being realized through a direct sale to the company's clients. The goods in the Supermarket and the Bowling bar are mostly foodstuffs and are being sold without any processing.

When writing off the goods the weighted average method shall be applied – a weighted average price shall be calculated for each reporting groups of goods.

## 9. Trade receivables – advance payments to suppliers

	30.09.2017	31.12.2016
	'000 BGN	'000 BGN
Suppliers' receivables	8	6
Clients' receivables	3 346	3 304
<b>Total:</b>	<b>3 354</b>	<b>3 310</b>

The suppliers' receivables consist of the advance payments for future delivery of goods and services. The receivables' extent of executability is within one year. The Company does not expect any of the suppliers not to fulfill their obligations in compliance with the contracts concluded beforehand.

The clients' receivables consist of concluded Contracts for management and maintenance and representation of real estates with the owners and the associated non-paid installments. The receivables' extent of executability is within one year.

All the commercial and other receivables of the Company have been tested for impairment indications.

The clients' receivables are non-paid amounts due to "Marina Cape Management" EOOD for performed services.

The trade receivables' book value is assumed to be a reasonable approximate estimation of their fair value.

Much of the Company's receivables from customers of current nature and due date within 180 to 360 days. There is a small portion of receivables from clients that have a maturity of more than 360 days - this is BGN 60 thousand.

The Company does not expect any of the clients not to pay in compliance with the contracts concluded beforehand.

All the commercial receivables are subject to credit risk. The Company's management does not identify any specific credit risks as the commercial receivables consist of a large number of different clients.

## 10. Related parties receivables

The Company's receivable from "Intercapital Property Development" ADSIC amounts to BGN 2 933 thousand. Part of it, BGN 718 thousand is formed according to a Contract for management of real estate properties that are owned by "Intercapital Property Development ADSIC. The rest, BGN 2 215 thousand is formed according to a contract with Intercapital Property Development ADSIC for maintenance of the properties owned by them.

The receivable of "Marina Cape Management" EOOD from "Marina Cape Tours" EOOD is in the amount of BGN 68 thousand. The amount is due to services rendered.

## 11. Tax receivables

	30.09.2017	31.12.2016
	'000 BGN	'000 BGN
Advance payments CITA	-	17
VAT recovery	46	74
<b>TOTAL:</b>	<b>46</b>	<b>91</b>

<b>12. Other receivables</b>	<b>30.09.2017</b>	<b>31.12.2016</b>
	<b>'000 BGN</b>	<b>'000 BGN</b>
Receivables from employees	50	50
Guarantees	1105	1003
<b>Total:</b>	<b>1155</b>	<b>1053</b>

The other receivables represent the guarantees of contracts for BGN 50 thousand and with the Ministry of Regional Development and Public Works for beach concession in Aheloy town for BGN 1 000 and other receivables in the amount of BGN 1104.

### 13. Cash and cash equivalents

The cash funds of the Company are kept in the following banks – CIBANK AD, UNICREDIT BULBANK AD, PIRAEUS BANK AD, Municipal Bank AD and Investbank AD. Due to the specificity of the sales and the client structure most of the cash is kept in currency (Euro).

The Company's bank accounts are as follows:

"Unicredit Bulbank" AD	7 Sveta Nedelya Sq., Sofia	BG03UNCR70001502123586	BGN
"Unicredit Bulbank" AD	7 Sveta Nedelya Sq., Sofia	BG08UNCR70001502123593	GBP
"Unicredit Bulbank" AD	7 Sveta Nedelya Sq., Sofia	BG62UNCR70001502123591	EUR
"CIBANK" AD	2 Slavyanska Str., Sofia	BG83BUIB98881095615700	BGN
"CIBANK" AD	2 Slavyanska Str., Sofia	BG65BUIB98881495615700	EUR
"PIRAEUS BANK" AD	3 Vitosha Blvd., Sofia	BG15PIRB71721602845417	EUR
"PIRAEUS BANK" AD	3 Vitosha Blvd., Sofia	BG15PIRB71721602845382	BGN
Municipal Bank AD	6 Vrabcha str., Sofia	BG68SOMB91301052773501	BGN
Municipal Bank AD	6 Vrabcha str., Sofia	BG50SOMB91301452773501	EUR
Investbank AD	85 Bulgaria Blvd., Sofia	BG81IORT80481020681600	BGN

The cash funds include the following components:

	<b>30.09.2017</b>	<b>31.12.2016</b>
	<b>'000 BGN</b>	<b>'000 BGN</b>
Cash and cash in banks :	<b>357</b>	<b>368</b>
- BGN	346	357
- EUR	11	11

### 14. Shareholders' equity

#### 14.1. Share capital

The Company's share capital amounts to BGN 5 000 and 100% of it is owned by "Intercapital Property Development" ADSIC.

#### 14.2. Retained Profit / Loss

The retained earnings amount to 470 thousand BGN and the uncovered loss amounts to 363 thousand BGN.

#### 14.3. Current profit

	30.09.2017	31.12.2016
	'000 BGN	'000 BGN
Current profit / (loss)	45	9

The most significant revenues and expenses are disclosed in the following table:

Revenues	30.09.2017	(%)	Expenses	30.09.2017	(%)
Finished Goods	142	10,81	Energy	96	8,11
Goods for Sale	165	12,52	Materials	167	14,02
Accommodation	296	22,46	Rental Management	117	9,86
Maintenance	572	43,43	Depreciation	49	4,12
Recreation	34	2,61	Salaries	186	15,59
Joint Activity			Social Securities	34	2,89

### 15. Non-current liabilities

#### 15.1. Liabilities to financial corporations

As of 30.09.2017, the company does not have any liabilities to financial corporations

#### 15.2. Other non-current liabilities

	30.09.2017	31.12.2016
	'000 BGN	'000 BGN
Borrowed funds from Midia AD	450	450
Deposited Funds	499	537
Borrowed funds from Cibalab	8	8
Borrowed Funds from VEI Project AD	78	70
Borrowed funds from Intercapital EOOD	107	114

**Borrowed funds from Aheloi Agro OOD**

	143	323
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incl. Long-term liabilities	1 285	1 502
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incl. Short-term (up to 1 year) liabilities		
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**16. Suppliers and clients payables**

These liabilities have risen in relation to concluded contracts for services provided by suppliers, which have not been paid off by 30.09.2017 r. The liabilities are due within a period of one year.

**16.1. Advance payments received from clients**

Advances received from customers in the total amount of BGN 371 thousand are formed from customers' advances on maintenance contracts – BGN 131 thousand, advances paid for accommodation for BGN 38 thousand, advances paid for events for BGN 19 thousand and deposits for representation – BGN 0 thousand, deposits – BGN 183 thousand

**16.2. Related parties payables****Related parties payables**

	30.09.2017	31.12.2016
	'000 BGN	'000 BGN
Intercapital Property Development ADSIC	2859	2918
Marina Cape Tours EOOD	-	
<b>Total:</b>	<b>2859</b>	<b>2918</b>

The Company owes BGN 2 859 thousand to the sole owner of the capital – Intercapital Property Development ADSITS under a contract for management and maintenance of commercial properties in vacation complex Marina Cape for 2013, 2014, 2015 and 2016. "Marina Cape Management" EOOD performs the management and maintenances of commercial properties, owned by "Intercapital Property Development" ADSIC and transfers the revenues generated from it into the owner's account.

**16.3. Trade Payables to Suppliers and Clients****Trade Payables to Suppliers and Clients**

	30.09.2017	31.12.2016
	'000 BGN	'000 BGN
Total:	866	886
	<b>866</b>	<b>886</b>

The amounts owed to suppliers (i.e. the trade accounts payables) amount to BGN 866 thousand. They are formed due to non-paid supplies of materials and services.



The most significant trade payables are disclosed in the following table:

<b>Trade Payables to Suppliers and Clients</b>	<b>30.09.2017</b>	<b>31.12.2016</b>
	<b>'000 BGN</b>	<b>'000 BGN</b>
EVN B/E ELECTRICITY DISTRIBUTION	40	4
BRUS EOOD	-	9
VENTENERGY EOOD	157	157
SUN OUT-OF-HOME MEDIA OOD	9	9

### 17. Salaries and social security payables

The salaries payables for pensions, wages, and non-used leaves included in the Balance Sheet consist of the following amounts:

	<b>30.09.2017</b>	<b>31.12.2016</b>
	<b>'000 BGN</b>	<b>'000 BGN</b>
Salaries payables	22	4
Social security payables	145	59
<b>Salaries and social security payables</b>	<b>167</b>	<b>63</b>

The current payables to the personnel are payables to current employees of the Company, which are due to be settled in 2017. The average number of the Company's personnel for 2017 is 27 employees.

### 18. Tax payables

The tax payables included in the Balance Sheet are formed by taxes due to the Law on taxation of the individuals' income, currently accrued as of 09.2017 r.- BGN 56 thousand., VAT - BGN 247 thousand. corporate tax BGN 9 thousand and tourist tax – BGN 1 thousand

	<b>30.09.2017</b>	<b>31.12.2016</b>
	<b>'000 BGN</b>	<b>'000 BGN</b>
Tax Payables	313	283
<b>Total:</b>	<b>313</b>	<b>283</b>

### 19. Book value of sold assets

In the item "Book value of sold assets" the Company reports the book value of the goods sold.

The Company applies the criteria under IAS 18 for recognizing the revenues from the sale of goods or takes into account the respective direction in the IAS 18 Supplement.

The revenues from finished goods sold are generated in two commercial objects, property of the Company – Snack bar and Pizzeria, and their trading activity is related to offering meals to guests. The revenues from goods sold are generated in four commercial objects – Supermarket, Bowling bar, Groceries store and Spa bar.

The Company generates revenues from the sale of packet services to clients on the territory of the complex – spa procedures, bowling hall entertainments, squash, fitness hall, beautician and hairdresser

services, entertainments for children in a kids' center. The Company also receives revenues pursuant to Contracts for management, maintenance and representation concluded with owners of real estate properties.

The revenues from other sources include amounts due to Contracts for joint activity with "Teocom" EOOD. According to these contracts the "Aqua Bar:" is managed jointly. The revenues from services related to electronic payments with clients of the complex are also included here.

	<b>30.09.2017</b>	<b>30.09.2016</b>
	<b>'000 BGN</b>	<b>'000 BGN</b>
<b>Book value of sold assets</b>	169	154
<b>TOTAL:</b>	<b>169</b>	<b>154</b>

## 20. Expenses for materials

The expenses for materials as of 30.09.2017 are presented in the following table:

<b>Type of expense</b>	<b>Amount of the expense in '000 BGN</b>	<b>% of total expenses for materials</b>
Stationery	1	0,33
Materials below the threshold value	-	-
Electric power	97	44,61
Spare parts for operating activities	45	20,51
Sanitary products	7	3,18
Utilities	39	18,09
Fuel greasing materials	27	13,28
Others	-	-
<b>Total:</b>	<b>216</b>	<b>100%</b>

## 21. Expenses for external services

The expenses for external services as of 30.09.2017 are presented in the next table:

<b>Type of expense</b>	<b>Amount of the expense in '000 BGN</b>	<b>% of total expenses for external services</b>
Taxes and fees	9	2,42
Commissions	41	10,88
Communication services	13	3,36
Subscription services	25	6,52
Maintenance and management	119	31,72
Sanitary services	18	4,81
Accounting services	4	1,00
Other external services for	147	

operations		39,29
<b>Total:</b>	<b>376</b>	<b>100%</b>

## 22. Policy and procedures for capital management

The Company's objectives related to the capital management are as follows:

- to ensure capacity so that the Company to continue to exist in compliance with the going concern principle; and
- to ensure adequate profitability to the Private equity owner by setting the price of its products and services in accordance with the risk factor.

The Company manages the capital structure and makes the necessary corrections in compliance with the changes in the economic environment and the risk characteristics of the respective assets. In order to maintain or correct the capital structure, the Company may change the amount of the dividends distributed to the Private equity owner, and to sell assets in order to reduce its liabilities.

## 23. Revenues from sales of current and non-current assets

Revenues from sales	30.09.2017 '000 BGN	30.09.2016 '000 BGN
Of finished goods	142	184
Of goods for sale	165	191
Of management and maintenance services	932	963
Other revenues	78	27
<b>Total</b>	<b>1317</b>	<b>1365</b>

The revenues from sales of finished products are formed from the sale of food items in the Antika, Pizza and Pub sites. The revenues from sales of goods are from the Supermarket, Bowling and Grocery sites. The revenues from management and maintenance services are from Intercapital REIT and clients of the company.

## 24. Risk management policy of the Company

### 24.1. Financial risk management

In its operating activity the Company is exposed to various financial risks: market risk (including currency risk, price risk, interest rate risk), credit risk, liquidity risk and risk from changes in the future cash flows. The Company's program for complete risk management is focused on the unpredictability of the financial markets and seeks to minimize the potential adverse effects on the Company's financial result. As of the end of the reporting period the Company has not used derivative financial instruments in order to hedge particular risk exposures.

#### *Market risk*

#### **Currency risk**

The Company operates in Bulgaria and due to the fact that the Bulgarian currency is effectively pegged to the Euro, it is exposed to currency risk due to borrowing and purchases and sales denominated in currencies other than BGN and EUR. The Company carefully observes the currency risks in order to ensure effective risk management.

### **Price risk**

In the conditions of extremely high competition on the Bulgarian tourist market the Company is exposed to significant price risk and that's why it leads active policy management which includes two main areas, namely, reducing the expenses and increasing the revenues by broadening the range of the offered services and reducing the prices.

Firstly, the Company seeks to minimize the fixed costs as well as to exert strict control over the variable costs (incl. active management of the number of the employed personnel through the different seasons of the year and of the expenses for salaries). In order to make up for the increased overhead costs in the complex (mainly due to the higher prices of the utility services), the Company took a decision to increase the maintenance fee paid by the owners of apartments in the complex. In order to achieve higher utilization of the Company's assets, part of the commercial properties in the complex have been rented out for management to big retail chains which offer high quality end products. The Company has concluded a contract with a third party for mutual managing of the seaside in front of the complex which reduces the additional costs for the maintenance of the beach. The Company maintains a dynamic pricing policy depending on the occupancy of the vacation complex during the relevant tourist seasons aiming to improve the work with its suppliers and subcontractors.

In order to achieve greater predictability of revenues and optimization of assets and personnel, the company is actively working to organize conference type events. This is part of the measures of the Company's apartment complex to offset the competitive advantages which traditional hotels working with tour-operators and relying on greater coordination and predictability of earnings have.

The policy of the Company to increase the revenues from tourist services includes: reducing the prices; conducting an active marketing strategy and offering accommodations at price levels that are more attractive than those in the hotels of the most serious competitor of the Bulgarian tourist markets – Turkey; broadening of the range of the offered services and enhancing the quality; conducting an aggressive price policy with regard to the facilities outside the complex to retain customers within the complex (e.g. by issuing a "cash cards", which on one side allow the clients to avail themselves of price discounts and on the other side – improve the financial accountability and reduce the expenses related to the documentation).

### **Interest rate risk**

As the Company does not own a substantial quantity of interest-bearing assets, the income and the operating cash flows are not significantly influenced by changes in the market interest rates.

The interest rate risk results from the loans received. The loans with a floating interest rate expose the Company to an interest rate risk related to changes in the future cash flows. The loans with a fixed interest rate expose the Company to an interest rate risk related to fluctuations in determining fair values in the future.

The Company's policy is to conclude loan contracts with an interest rate which is fixed to the market one, for example EURIBOR, and the expositions to be regularly observed.

### **Credit risk**

The credit risk results from cash and cash equivalents, derivative financial instruments and deposits in banks and other financial institutions, as well as from credit expositions of wholesalers and retailers, including non-paid receivables and contracted economic operations. For banks and other financial

institutions can be accepted only independently assessed institutions with a high credit rating. When performing sales of goods and services and granting credits to clients the Company focuses on the contractors' credit reputation.

### ***Liquidity risk***

The cautious liquidity risk management involves maintaining a large enough quantity of money and liquid securities as well as options for additional credit financing and closing open market positions. Due to the dynamic nature of the main types of business, the Company's financial department aims at flexibility in financing through maintaining enough non-used authorized credit lines.

### **25. Subsequent events**

No correcting or substantial non-correcting events have occurred after the date of the financial report.