

## **REPORT OF THE INDEPENDENT AUDITOR**

To: the owner of 'MARINA CAPE MANAGEMENT' EOOD

### **Report relevant to the audit of the financial statement**

#### **Qualified opinion**

We have completed the audit of the financial statement of 'Marina Cape Management' EOOD (the „Company“), including the report on financial condition towards 31/12/2019 and the report on profit or loss and the other comprehensive income, the report on changes in own capital and report on cash-flow for the year, ending on this date, as well as the explanatory annexes to the financial statement, containing a summarized reporting of the essential accounting policies.

It is our opinion that, apart from the possible effect of the question, described under the „Basis for expressing of a qualified opinion“ section of our report, the enclosed financial statement presents in trustworthy manner, in all significant aspects, the financial condition of the company towards December 31, 2019 and its financial results from activities and cash-flow for the year ending on this date, in compliance with the International Financial Reporting Standards (IFRS), adopted by the EU.

#### **Basis for expressing of a qualified opinion**

We have been appointed as auditors of the Company on March 29, 2019 and respectively we were not present at performance of inventory of material stock towards 31.12.2019. Therefore we were unable to be convinced to a reasonable extent, by applying alternative auditing procedures, in the amount of receivables by other debtors in the size of BGN 1 214 thousand, as well as in the availability of material resources in the amount of BGN 946 thousand and respectively whether it would be necessary and in what size to make any corrections with regard to the presented closing balance of current assets in the report on financial condition towards 31.12.2019 and respectively to the cost of sales and results from activities for the year, ending on this date in the report on profit or loss or the other comprehensive income for 2019.

We carried out our audit in conformity to the International Standards on Auditing (ISAs). Our responsibility according to these standards are described additionally under the "Responsibilities of the auditor for the audit of the financial statement" section of our report. We are independent from the Company in accordance with the Ethical Code of Professional Accountants of the Council of International Standards of Ethics for Accountants (CISEA Code) together with the ethical requirements of the Law on Independent Financial Audit (LIFA), applicable to our audit of the financial statement in Bulgaria, we have also fulfilled our additional ethical responsibilities in conformity to the requirements of LIFA and CISEA Code. We believe that the auditing evidence, received by us are complete and appropriate to serve as basis for forming of our qualified opinion.

#### **Key audit questions**

Key audit questions are those matters that, in our professional judgment, have been of the highest importance in auditing the financial statements for the current period. These issues are addressed as part of our audit of the financial statements as a whole and the formation of our opinion on the financial statements, and we do not provide a separate opinion on these issues. In addition to the question described in the Qualified Basis section above, we have identified the question described below as a key audit question to be

1. An estimate of the availability of inventories in the amount of BGN 946 thousand has been made and, accordingly, whether any adjustments would be necessary and in relation to the

presented closing balance of current assets in the statement of financial position as at 31 December 2019 and, respectively, in the cost of sales and results of operations for the year ending on that date in the statement of profit or loss and other comprehensive income for 2019. When the audit is carried out, there is a significant uncertainty in the estimated value of material stocks.

During our audit in this area, our audit procedures included, among others:

- Perform analytical procedures for inventory control.
- Verification of the adequacy of the disclosures made in the financial statements of the Company.

See Annexes 8 and 9 to the financial statements.

### **Other information different from the financial statement and the auditor's report on it**

The management team of the Company shall be responsible for the other information. The other information includes report on activities of the company, elaborated by the management team in conformity to Chapter Seven of Law on Accounting, but does not include the financial statement and our auditor's report on it.

Our opinion on the financial statement does not refer to the other information and we do not express in any form any conclusion referring to its reliability, except if this is explicitly stated in our report and only to the explicitly pointed extent.

With regard to our audit of the financial statement, our responsibility includes only reading of the other information and this way assessing whether this other information is in some material non-conformity to the financial statement or to our knowledge gained in the course of the audit or in any other way seems to contain material improper reporting. In case the performed work leads us to a conclusion that the other information contains material improper reporting, we are required to report this fact.

As described above under the "Basis for expressing of a qualified opinion" section, we were not able to receive sufficient and appropriate auditing evidence referring to the balance sheet value of receivables from other debtors and to material stock of the Company towards December 31, 2019. Respectively, we are not able to reach a conclusion whether the other information contains material improper reporting in relation to this question.

### **Additional questions, reporting on which is required by the Law on Accounting – reporting on the other questions shall be in conformity to the declared qualifications**

In addition to our responsibilities and reporting in conformity to ISAs, with regard to the report on activities of the company we have performed the procedures added to the requirements under ISAs in conformity to the Instructions of the Professional Organization of Certified Public Accountants and Registered Auditors in Bulgaria – Institute of Certified Public Accountants (ICPA), issued on 29.11.2016. These procedures refer to inspections of availability and inspections of the form and content of the other information aimed at facilitating the forming of an opinion whether the other information includes declaration and reporting envisaged under Chapter Seven of the Law on Accounting, applicable in Bulgaria.

Opinion by virtue of art. 37, para 6 of Law on Accounting

On the basis of procedures performed we have come to the following opinion:

- a. the information included in the report on activities of the company for the financial year in reference to which the financial statement is elaborated conforms to the financial statement with regard to which we have expressed qualified opinion under the respective section above;

- b. the report on activities of the company is elaborated in conformity to the requirements of Chapter Seven of the Law on Accounting.

### **Responsibilities of the managements team for the financial statement**

The management team is responsible for the elaboration and trustworthy presentation of this financial statement in conformity to IFRS, adopted by the EU, and for such internal control system that the management team finds necessary for assuring of elaboration of financial statements, which do not contain material incorrect accounting, notwithstanding whether they are due to fraud or mistake.

At elaboration of the financial statement the management team shall be responsible for assessment of the opportunity of the Company to continue to function as a going concern declaring, if applicable, issues relevant to the presumption for going concern, unless the management team intends to liquidate the Company or to terminate its activities or if the management team does not have any actual alternative except to act this way.

### **Responsibilities of the auditor for the audit of financial statement**

Our purpose is to reach reasonable level of certainty whether the financial statement as a whole contains material improper reporting, notwithstanding whether they are due to fraud or mistake and to issue an auditor`s report, which includes our auditor`s opinion. The reasonable level of certainty is a high level of certainty, but is not a guarantee that an audit performed in conformity to the Law on Independent Financial Audit and ISAs always will reveal material improper reporting, when such exists.

Improper reporting may be a result of fraud or mistake and shall be considered as material if it may be reasonably expected that they, independently or in aggregate, could influence the economic decisions of consumers, made on the basis of this financial statement.

As part of the audit, in conformity to ISAs, we use our professional judgement and maintain professional scepticism in the course of the whole audit. We also:

- identify and assess the risks of material improper reporting in the financial statement, notwithstanding whether they are due to fraud or mistake, develop and realize auditing procedures in response to these risks and receive auditing evidence, which to be sufficient and appropriate to assure basis for forming of our opinion. The risk of non-revealing of material improper reporting, which is a result of fraud, is higher than the risk of material improper reporting, which is a result of mistake, because the fraud may include concealed agreement, forgery, deliberate omissions, statements aimed at misleading of the auditor, as well as neglecting or evasion of the internal control;
- gain understanding on the internal control, relevant to the audit, in order to develop auditing procedures, which to be appropriate under the specific circumstances, but not aimed at expression of an opinion on the efficiency of the internal control of the company;
- assess the suitability of used accounting policies and the reasonableness of approximate accounting evaluations and declarations related to them, made by the management team;
- reach a conclusion in relation to the suitability of accounting base used by the management team on the basis of presumption for going concern and on the basis of received auditing evidence referring to the fact whether material uncertainty exists in relation to events or conditions, which may raise significant doubts about the ability of

the Company to continue to function as a going concern. If we reach a conclusion that material uncertainty exists, we are required to point out in our audit report the declarations in the financial statement relevant to the uncertainty or if these declarations are inadequate to modify our opinion. Our conclusions are based on auditing evidence, received before the date of our auditor`s report. However, future events or conditions may become reasons for the Company to terminate its functioning as a going concern.

- evaluate the overall presentation, structure and content of the financial statement, including declarations and whether the financial statement presents the main transactions and events in a way, which reaches trustworthy presentation.

We communicate to the management team, together with the other questions, the planned scope and time for performance of the audit and the material findings of the audit, including significant faults of the internal control, which we have identified in the course of the audit.

I draw attention to the explanatory application of material events after the balance sheet date in the financial statements, which discloses a material non-adjusting event related to the occurrence of the coronavirus pandemic (COVID-19). The disruption of normal economic activity in the Republic of Bulgaria as a result of COVID-19 may adversely affect the operations of Intercapital Property Development REIT, in particular the income from the sale and management of holiday properties.

Due to the unpredictable dynamics of COVID-19, it is virtually impossible at this stage to make a reliable assessment and measurement of the potential impact of a pandemic. Our opinion has not been modified on this point.