

Interim Consolidated Financial Statements

Intercapital Property Development ADSIC

31st December 2012

Consolidated Report for the Financial Condition

Assets	Notes	31.12.2012 '000 BGN	31.12.2011 '000 BGN
Long-term assets			
Property, Plant and Equipment	7	5 715	5 880
Investments reported by the method of owned capital		-	-
Investment property	8	42 695	44 861
Intangible assets	9	9	15
Deferred tax assets		18	18
Long-term assets		48 437	50 774
Current assets			
Inventories	10	823	732
Work in progress	10	8 648	8 695
Advances given		247	250
Derivatives		-	-
Trades accounts receivables	11	434	2 334
Tax receivables	11	15	15
Other payable	12	385	159
Cash and cash equivalents	13	985	1042
Current assets		11 537	13 227

Total Assets

59 974 61 001

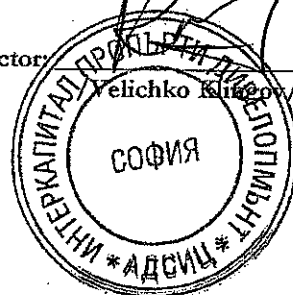
Accountant:

/ "Optima Audit" AD

Executive Director:

Velichko Klinkov

Date: 26.02.2013



Consolidated Report for the Financial Condition (continued)

Liabilities and Shareholders' equity	Notes	31.12.2012 '000 BGN	31.12.2011 '000 BGN
Shareholders' equity			
Share capital	14a	6 011	6 011
Issue premiums	14b	7 651	7 651
Revaluation reserves	14b	711	711
General Reserves	14b	1	1
Retained Earnings		9822	9822
Accumulated Loss		(14 774)	(4 204)
Current profit/loss		(2 593)	(10 570)
Total Shareholders' Equity		6 829	9 422
Liabilities			
Long-term Liabilities			
Liabilities to financial institutions	15	2 665	12 095
Bonds	15		6 845
Other liabilities	18	1 335	855
Deferred tax liabilities			-
Total long-term liabilities		4 000	19 795
Current Liabilities			
Liabilities to financial institutions	15	32 671	16 678
Trade payables	16	5 719	6 414
Customers advance receivables		9 098	8 863
Salaries and social securities payables		700	597
Tax payables	17	712	432
Other liabilities	18	245	1 800
Total current liabilities		49 145	34 784
Total Liabilities		53 145	54 579
Total Liabilities and Shareholders' Equity		59 974	64 001

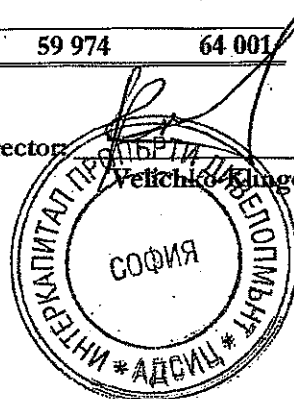
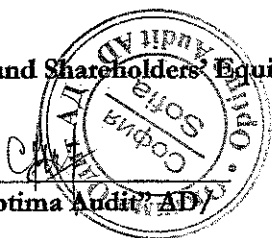
Accountant:

/ "Optima Audit" AD /

Executive Director:

/ Velichko Klugov /

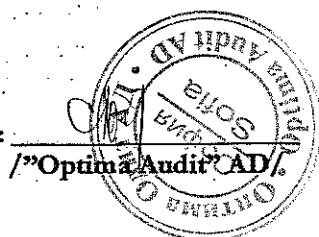
Date: 26.02.2013



Consolidated Income Statement

	Notes	31.12.2012 '000 BGN	31.12.2011 '000 BGN
Sales revenue	19	3 438	5 741
Other revenue	19	1 840	158
Expenses for materials	20	(506)	(496)
Expenses for external services	21	(992)	(1 520)
Personnel expenses	14c	(536)	(631)
Depreciation		(223)	(267)
Book value of assets sold		(2 332)	(5 714)
Change in the inventories of finished goods and work in progress		(223)	(396)
Other expenses	23	(136)	(193)
Operating profit / (loss)		330	(3 318)
Financial expenses	24	(2 926)	(4 395)
Financial income	24		8
Other extra income	24	3	7
Loss before tax		(2 593)	(7 698)
Cost of deferred corporate income tax		-	-
Net Profit / (Loss)		(2 593)	(7 698)

Accountant:



Executive Director:



Date: 26.02.2013

Consolidated Statement of Changes in Equity

All amounts are in '000 BGN	Share Capital	Premium Reserves	Other Reserves	Retained Earnings / (Accumulated Loss)	Total Equity
Balance as of 1 st January 2011	6011	7651	647	5643	19952
Revaluated balance as of 1 st January 2011	6011	7651	647	5643	19952
Dividends					
Shares Issued					
Fundamental errors				(25)	(25)
Profit / (Loss)				(10570)	(10570)
Revaluation of long-term assets:					
Increases			66		66
Decreases			(1)		(1)
Total comprehensive income					
Balance as of 31 st December 2011	6011	7651	712	(4952)	9422

All amounts are in '000 BGN	Share Capital	Premium Reserves	Other Reserves	Retained Earnings / (Accumulated Loss)	Total Equity
Balance as of 1 st January 2012	6 011	7 651	712	(4 952)	9 422
Revaluated balance as of 1 st January 2012	6 011	7 651	712	(4 952)	9 422
Dividends					
Shares Issued					
Fundamental errors					
Profit / (Loss)				(2 593)	(2 593)
Revaluation of long-term assets:					
Increases					
Decreases					
Total comprehensive income					
Balance as of 31 st December 2012	6 011	7 651	712	(7 545)	6 829

Accountant:

/"Optima Andir" AD/

Executive Director:

Velichko Klingov

Date: 26.02.2013

Consolidated Cash Flow Statement

Notes	31.12.2012 '000 BGN	31.12.2011 '000 BGN
Operating activities		
Customers receivables	5 888	6 909
Suppliers Payables	(2 067)	(2 850)
Salaries and Social Securities Payables	(388)	(256)
Paid / Refunded taxes (except for corporate tax)	(268)	(391)
Corporate taxes paid		
Bank Fees and interest paid	(56)	(34)
Foreign currency exchange rate gains/losses net	(3)	(6)
Other payables from operating activities	(330)	(279)
Net cash flow from operating activities	2 776	3 093
Investment activities		
Purchase of long-term assets	(48)	
Net cash flow from investing activities	(48)	
Financial activities		
Loans received	587	433
Proceeds on loans	(1 785)	(2 111)
Proceeds on financial leasing		-
Proceeds from securities		-
Payments of interest and fees	(1 587)	(1 150)
Dividend payments		-
Other receivables/payables from financial activities, net		-
Net cash flow from financing activities	(2 785)	(2 828)
Net change in cash and cash equivalents	(57)	265
Cash and Cash equivalents in the beginning of the period	1 042	777
Cash and Cash equivalents in the end of the period	985	1 042

26b

13

Accountant:

/”Optima Audit” AD/

Date: 26.02.2013

Executive Director:



Explanatory Notes

1. General Information

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

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

The company is managed by a Board of Directors. Currently, in the Board of the Directors are sitting the following members: Velichko Klingov, Tsvetelina Hristova and Temenuga Ivanova. The Company is officially represented by Velichko Klingov in his capacity of executive director.

Investor relations director is Milen Bozhilov.

Service companies of "Intercapital Property Development" ADSIC in compliance with the clauses of the Special Purpose Vehicles Act are: Optima Audit AD, Marina Cape Management EOOD, and "Tokushev and Partners" AD

The Company's shares are listed for trading on the Bulgarian Stock Exchange – Sofia AD as well as on the alternative trading system "NewConnect", organized by the Warsaw Stock Exchange.

2. Basis for preparing the financial statements

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

The consolidated financial reports are prepared in BGN, which is the functional currency of the Company. All amounts are presented in thousands ('000 BGN) (including the comparative information for 2011), unless otherwise stated.

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

In 2011, the Group reports a loss for the period amounting to 10 570 thousand BGN and a positive cash flow from operating activity amounting to 3 093 thousand BGN. The Current liabilities are with 21 557 thousand BGN more than the current assets.

As of 31.12.2012 the Company reports a loss in the amount of 2 593 thousand BGN and a positive cash flow from operating activity amounting to 2 776 thousand BGN. The Current liabilities are with 37 608 thousand BGN more than the current assets.

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

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

- The Group has rescheduled its short-term debt to creditor banks, which would considerably improve the financial condition of the Group from the point of view of the current assets-to-current liabilities ratio.
- The Group undergoes a policy for optimization of costs, material reserves and other elements of the turnover capital. It is expected that this measure would considerably reduce the inventories, which would improve the liquidity of the turnover capital of the Group. As of 31.12.2012, the Group reports only the property "Grand Borovets" in Borovets resort as work in progress. The reported expenses (1 104 units) represent the expenses on the sale of the parent company – brokerage commissions and commercial of the real estate in the property Marina Cape, which would be recognized at the moment of recognizing the revenue (upon final transfer of the property or establishment of a entitlement for usage)

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

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

3. Changes in accounting policies

The Company applies the following new standards, amendments and interpretations of the IFRS, prepared and published by the IASB, which have an impact on the Company's financial statements and are mandatory for application for the annual period starting on 1st January 2010:

3.1. General Provisions

- IFRS 1 "First-time Adoption of IFRS" (adjusted) - Additional exemptions for companies applying IAS for the first time adopted by the EU 25/6/2010;
- IFRS 1 "First-time Adoption of IFRS" (adjusted in 2008) adopted by the EU on 25/11/2009;
- IFRS 2 "Share-based Payment" (adjusted) – group transactions with share-based payments adopted 23/03/2010;
- IFRS 3 "Business combinations" (adjusted in 2008) – adopted by EU on 12/6/2009;
- IAS 27 "Consolidated and individual financial statements" (adjusted in 2008), adopted by EU on 12/6/2009;
- IAS 39 "Financial instruments: recognition and valuation" (adjusted) – Meeting the conditions for hedging positions, adopted by the EU on 16/09/2009
- IFRIC 15 "Agreements for construction of real estate properties", in effect as of 1/1/2009, adopted by the EU 23/6/2009 for periods as of or after 1/1/2010;
- IFRIC 16 "Hedge of net investments in foreign operations", in effect as of 1/10/2009, adopted by the EU for periods as of or after 1/07/2009;

- IFRIC 17 "Distribution of non-cash assets of owners", adopted by the EU on 21/11/2009;
- IFRIC 18 "Transfer of assets from clients", adopted by the EU on 27/11/2009, in effect for the period as of or after 31/10/2009.
- Annual amendments 2008 – IFRIC 5 "Non-current assets, hold for sale, and discontinued operations", adopted by the EU;
- Annual amendments 2009, adopted by the EU on 23/03/2010

4. Accounting Policy

4.1. General Conditions

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

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

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

4.2. Presenting the Consolidated Financial report

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

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

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

4.3. Base for Consolidation

In the financial report of the Group are consolidated the financial reports of the parent Company and all subsidiaries as of 31st December 2012. Subsidiaries are all entities, upon which the Group exerts control over their financial and operating policies. The parent company acquires and exerts control when it holds more than half of the total number of votes. All subsidiaries have a reporting period, ending on 31st December

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

when it is necessary for maintaining the accounting policy, applied by the Group.

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

4.4. Transactions with foreign currency

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

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

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

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

4.5. Revenues

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

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

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

The revenues are recognized when the following conditions are met:

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

4.5.1. Sale of investment properties

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

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

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

4.5.2. Goods for sale

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

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

4.5.3. Provision of Services

The services provided by the Group include Contracts for property management, brokerage, and maintenance (see explanation). Service revenues are recognized when the service has been provided according to the degree of completion of the contract at the date of the consolidated financial report (for more information about the method degree of completion of the contract, see below).

4.5.4. Income from interest and dividends

Interest income is reported on a continuous basis using the method of effective interest rate. Income from dividends, which is different from the income streaming from investments in associated entities,

are recognized at the moment of the entitlement to payment.

4.5.5. Operating expenses

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

4.5.6. Interest expenses and payment of loans

Interest expenses are reported using the method of effective interest rate. Payments of loans are recognized as an expense in the consolidated income statement in the account "Financial Expenses" for the period when they have been incurred.

4.6. Intangible assets

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

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

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

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

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

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

5. Joint Ventures

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

	31.12.2012 '000 BGN	31.12.2011 '000 BGN
Non-current assets	893	1018
Current assets	2884	2245
Total assets	3777	3263
Long-term liabilities	(1418)	(955)
Short-term liabilities	(2707)	(2764)
Total liabilities	(4125)	(3719)
	31.12.2012	31.12.2011
Income	2361	2390
Expenses	(2253)	(2528)

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

6. Investments accounted for using the equity method

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

7. Property, machinery, facilities and equipment

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

	Land '000 BGN	Buildings and constructions '000 BGN	Machinery and equipment '000 BGN	Transport vehicles and others '000 BGN	Total '000 BGN
Gross book value					
Balance at January 01, 2011	4435	503	268	1269	6475
Newly acquired assets	-	-	31	42	73
Revaluation of Land					66
Increase	66				
Decrease	(1)				(1)
Balance at December 31, 2011	4500	503	299	1311	6613
Depreciation and impairment					
Balance at January 01, 2011		(20)	(110)	(342)	(472)
Written off assets					
Depreciation		(20)	(90)	(151)	(261)
Balance at December 31, 2011		(40)	(200)	(493)	(733)
Book value at December 31, 2011	4500	463	99	818	5880

	Land	Buildings and constructions	Machinery and equipment	Transport vehicles and others	Total
	'000 BGN	'000 BGN	'000 BGN	'000 BGN	'000 BGN
Gross book value					
Balance at 1 st January 2012	4500	503	299	1311	6613
Newly acquired assets			6	45	51
Revaluation of Land					
Increase					
Decrease					
Balance at 31st December 2012	4500	503	305	1356	6664
Depreciation and impairment					
Balance at 1 st January 2012		(40)	(200)	(493)	(733)
Depreciation	(-)	(20)	(67)	(129)	(216)
Balance at 31st December 2012	(-)	(60)	(267)	(622)	(949)
Book value at 31st December 2012	4500	443	38	734	5715

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

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

Depreciation of properties, machineries, facilities and equipment is accrued using the linear method over the estimated useful life of the separate group of assets as follows:

- Buildings 25 years
- Machines 3,3 years
- Automobiles 4 years
- Equipment 6,67 years
- Facilities 10 years
- Computers 2 years
- Other 6,67 years

The chosen threshold of essence of the property, machineries, facilities and equipment of the Group is 700 BGN.

8. Investment property

The properties that are built and for which the Company has received Certificate for exploitation and that are not sold and respectively transferred to clients are reported in the item "Investment property", because the parent company is restricted to operate the constructed assets by itself and it could realize income through assigning the management of those assets to third parties.

The investment properties are valued initially at their direct cost which includes all the expenditures that are directly related to the particular investment property – such as construction-assembly works, project services, legal fees and other expenditures.

After their initial recognition the investment properties are reported through the use of the model of the fair value. Pursuant to the Special Purpose Vehicles Act the Board of Directors assigned the completion of

revaluation as of 31.12.2011 of all the company's real estate properties to the independent appraisers – "Dobi 02" Ltd. the results of which was reported in the final annual financial statement of the Company.
The next tables present the changes in the value of the investment property in 2011 and 2012.

	Investment property '000 BGN
Book value as of 1 st January 2011	50 055
Newly acquired assets	2 001
Net loss from changes in fair value	
Book value as of 31 st December 2011	52 056
Newly acquired assets	
Sold assets	(5 638)
Net profit from changes in fair value	(1 557)
Book value as of 31 st December 2011	44 861

	Investment property '000 BGN
Book value as of 1 st January 2012	44 861
Newly acquired assets	
Net loss from changes in fair value	
Book value as of 31 st December 2012	44 861
Newly acquired assets	9
Sold assets	(2175)
Net profit from changes in fair value	
Book value as of 31 st December 2012	42 695

9. Intangible assets

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

Intangible assets	Software programs and products '000 BGN	Total '000 BGN
Carrying value		
Balance as of 1 st January 2011	50	50
Newly-acquired assets	2	2
Written-off assets		
Balance as of 31 st December 2011	52	52
Depreciation and impairment		
Balance as of 1 st January 2011	(31)	(31)
Written-off assets		
Depreciation	(6)	(6)
Balance as of 31 st December 2011	(37)	(37)
Book value as of 31 st December 2011	15	15

Intangible assets

	Software programs and products ‘000 BGN	Total ‘000 BGN
Carrying value	52	52
Balance as of 1 st January 2012	1	1
Newly-acquired assets		
Written-off assets		
Balance as of 31 st December 2012	53	53
Depreciation and impairment		
Balance as of 1 st January 2011	(37)	(37)
Written-off assets		
Depreciation	(7)	(7)
Balance as of 31 st December 2012	(44)	(44)
Book value as of 31 st December 2012	9	9

10. Inventory

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

	31.12.2012 ‘000 BGN	31.12.2011 ‘000 BGN
Materials and goods	823	732
Work-in-progress	8648	8695
Inventory	9471	9427

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

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

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

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

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

The inventories are not pledged as collaterals on obligations.

11. Trade receivables

	31.12.2012 ‘000 BGN	31.12.2011 ‘000 BGN
Vei Project AD		1 771
M. Pelegrini	189	

Others	245	563
Trade receivables	434	2 334

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

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

All trade receivables of the Company are revised for impairment indications.

The Company does not have expectations that the due customers payments will not be paid pursuant to the advanced concluded contracts.

All trade receivables are exposed to credit risk.

The tax receivables are due to overpaid income tax – BGN 15 thousands.

12. Other receivables

	31.12.2012 '000 BGN	31.12.2011 '000 BGN
Personnel receivables	299	11
Others	86	148
Total:	385	159

13. Cash and cash equivalents

The cash and cash equivalents include the following elements:

	31.12.2012 '000 BGN	31.12.2011 '000 BGN
Cash and cash in banks:		
- Cash	875	854
- Cash in demand deposits	11	188
- Blocked money	99	
Cash and cash equivalents	985	1042

14. Shareholders' equity

a. Share capital

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

	31.12.2012 '000 BGN	31.12.2011 '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 30th September 2012	6 011 476	6 011 476

b. Revaluation reserve

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

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

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

In that case the price of the property is formed on the base of research of realized deals on the market with comparable real estate. The market approach looks for the supposed market price of properties that are similar in quality to the valued one.

When calculating the market value of the property information is used about three properties similar to the valued one. These properties have to be in the same location and also it is needed there to be realized deals with them in the last six months during the previous year. The sale prices of the three properties are adjusted with an area coefficient that removes the differences between them.

In the calculating of the evaluation is used the following:

- Information obtained by the inspection of the object;
- Information and documents about the legal status of the object;
- Newsletters, price lists and reference books of official editions of Ministry of the Regional Development and Public Works, Bulgarian Construction Chamber and etc;
- Information from appraiser's personal experience.

With resolution of the Board of Directors the evaluation of the assets of the parent company is assigned to the independent appraiser – Dobi-02 OOD.

	31.12.2012	31.12.2011
	'000 BGN	'000 BGN
Premium reserves from shares' issuance	7651	7651
Other reserves	1	1
Revaluation reserves of assets	711	711
Total reserves	8363	8363

c. Personnel expenses

The expenses for remuneration of the staff include:

	31.12.2012	31.12.2011
	'000 BGN	'000 BGN
Expenses for salaries	(538)	(436)
Social security expenses	(162)	(161)
Personnel expenses	(700)	(597)

15. Loans

The loans include the following financial liabilities:

	Current		Long-term	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	'000 BGN	'000 BGN	'000 BGN	'000 BGN
Bank loans	25826	15700	2 665	12095
Bond loans	6845	978		6845
Total loans	32 671	16 678	2 665	18 940

16. Trade payables

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

	31.12.2012 '000 BGN	31.12.2011 '000 BGN
Current:		
Vei Project AD	1647	2347
Telelink AD	498	547
Midia AD	2174	2174
Intercapital Solicitors AD	27	27
Other	1373	1319
Total trade payables:	5 719	6 414

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

17. Tax payables

The tax payables include:

	31.12.2012 '000 BGN	31.12.2011 '000 BGN
Value added tax	653	373
Other	59	59
Total	712	432

The tax payables in the amount of BGN 712 thousand as of 31.12.2012 represents mainly value added tax in the amount of BGN 653 thousand for 2012 and personal income tax – BGN 59 thousands, which shall be paid in the first quarter of 2013.

18. Other payables

The other obligations can be summarized as follows:

	31.12.2012 '000 BGN	31.12.2011 '000 BGN
Long-term:		
Other long-term liabilities	1335	855
	1335	855
Short-term:		
Other short-term liabilities	245	1800
Total	245	1800

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

The obligations to IP Intercapital Markets AD are due to a contract for consulting services. The investment intermediary is chosen by the Constitutive Assembly of the shareholders of ICPD ADSIC and is obliged to present investment advices, to prepare motivated proposals for changes in the investment objectives and directions in the investment activity as well as to advise ICPD in the preparation of prospectuses for public offering of securities and to cooperate in the organization and the realization of public issues of securities, etc. In the Group there are borrowed funds by the subsidiary company from "Titan Bulgaria" OOD which by its nature represent loans which allocation and payment is agreed on the basis of loan contracts. On 24.08.2010 a trilateral agreement was signed between "Titan Bulgaria" OOD, "Midia" AD and "Marina Cape Management" EOOD. Pursuant to it, the three parties agree that the obligation of "Titan Bulgaria"

OOD to "Midia" AD shall be taken by "Marina Cape Management" EOOD up to the amount of the obligation of "Marina Cape Management" EOOD to "Titan Bulgaria" OOD – BGN 500 thousands. The Company has paid off to "Midia" AD the first installment in the amount of BGN 50 thousands. Pursuant to a contract concluded between the subsidiary company "Marina Cape Management" EOOD and "Intercapital" EOOD, part of the receivables due to signed agreements for maintenance of the common parts of the vacation complex "Marina Cape" are ceded and the contract provides for the possibility, in case of payment on behalf of clients to bank accounts of "Marina Cape Management" EOOD, the accrued amounts to be refunded or the receivables to be exchanged by the cessionary – Intercapital EOOD.

19. Sales revenues

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

	31.12.2012	31.12.2011
	'000 BGN	'000 BGN
Revenues from sale of investment property	1742	4152
Revenues from sale of finished goods	381	350
Revenues from sale of goods for sale	199	128
Revenues from sale of services	1116	1111
Other	1840	158
Total	5 278	5 899

20. Expenses for materials

The expenses for materials include:

	31.12.2012	31.12.2011
	'000 BGN	'000 BGN
Expenses for materials	(218)	(238)
Expenses for heat and electricity	(283)	
Other expenses	(5)	(258)
Total	(506)	(496)

21. Expenses for external services

The expenses for external services include:

	31.12.2012	31.12.2011
	'000 BGN	'000 BGN
Expenses for maintenance	(71)	(67)
Accounting services	(84)	(187)
Consulting services	(197)	(363)
Expenses on sales, commission	(150)	(282)
Other	(490)	(621)
Total	(992)	(1520)

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

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

	31.12.2012	31.12.2011
	'000 BGN	'000 BGN
Revenues from sales	1742	4152
Book value of the sold non-current assets	(2175)	(5638)
Profit / (Loss) from sale of non-current assets	(433)	(1486)

23. Other expenses

	31.12.2012	31.12.2011
	'000 BGN	'000 BGN
Impairment of investment property, land, inventory	(52)	(61)
Other	(84)	(132)
Other expenses	(136)	(193)

24. Financial revenues and expenses

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

	31.12.2012	31.12.2011
	'000 BGN	'000 BGN
Interest expenses	(2782)	(4048)
Expenses on foreign exchange operations	(3)	(6)
Other financial expenses	(141)	(341)
Financial expenses	(2926)	(4395)

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

	31.12.2012	31.12.2011
	'000 BGN	'000 BGN
Gains from foreign exchange operations	-	4
Other revenues	-	4
Extraordinary revenues	3	7
Financial revenues	3	15

25. Expenses for income tax

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

26. Profit/ (Loss) per shares and dividends

a. Profit/(Loss) per share

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

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

	31.12.2012 ‘000 BGN	31.12.2011 ‘000 BGN
Profit/ (loss), subject to distribution (BGN)	(2593)	(10570)
Weighted average number of shares	6011	6011
Basic profit/ (loss) per share (in BGN per share)	<u>(0.43)</u>	<u>(1.76)</u>

b. Dividends

In 2011 the Group has not paid out dividends due to the fact that in 2010 the Company's result is loss. In 2012 the Group has not paid out dividends due to the fact that in 2011 the Company's result again is loss.

27. Transactions with related parties

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

a. Transactions with subsidiaries:

	31.12.2012 ‘000 BGN	31.12.2011 ‘000 BGN
Sale/purchase of goods and services		
- ICPD sells equipment to "Marina Cape Management" EOOD		
- Services carried out by "Marina Cape Management" EOOD to ICPD	988	572
- Services carried out by ICPD to "Marina Cape Management" EOOD (due to a contract)	1251	1449

b. Transactions with key management personnel

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

	31.12.2012 ‘000 BGN	31.12.2011 ‘000 BGN
Short-term remunerations:		
Salaries of the management personnel in the Group	143	121
Total remunerations	<u>143</u>	<u>121</u>

28. Risks, related to the financial instruments

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

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

The risk management of the Group is carried out by the Board of Directors of the parent company, assisted by IP Intercapital Markets AD, with which the Company has a contract for risk management and evaluation in collaboration with the Board of Directors. A priority of the Company's management is to ensure the short-

terms and the medium-term cash flows by reducing the credit exposure. The long-term financial investments are managed so as to bring long-term yield.

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

a. Analysis of the market risk

Currency risk

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

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

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

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

Interest risk

The Group may be exposed to interest rate risk if there is a mismatch between the type (fixed or floating income, respectively interest) of assets and liabilities. The main assets of the Group are property (land or those under construction). It could be assumed that these assets are fixed-price or income because their price is not affected directly by changes in interest rates. The Group will seek to finance these assets with debt instruments, which also to be fixed rate. Where this is not possible or not favorable to the Group, it may use and a floating-rate debt. In these cases the Company will constantly analyze forecasts on interest rates. In case of significant risks of a large increase in interest rates, which have a significant negative impact on the profits of the company, it may use derivatives or other financial instruments to hedge this risk. This could be a swap of floating payments at a fixed interest rate, futures or other instruments. At the end of 2011 most of the obligations of the Company are floating rate based on EURIBOR. In this connection, the Group is at risk from rising interest rates in the Eurozone. Since most of the debts of the Group are long term, the governing body intends to purchase futures on EURIBOR, to neutralize the risk of increased interest on borrowings, having in mind the fact that overcoming the effects of the financial crisis the countries from the Eurozone shall begin to withdraw the measures for stimulation of their economies, including to increase the prime rates which will directly affect the level of EURIBOR.

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

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

b. Analysis of the credit risks

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

c. Analysis of the liquidity risk

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

29. Policy and procedures for capital management

The Company's objectives associated with the capital management are as follows:

- to ensure capacity so that the Group to continue to exist in compliance with the going concern principle
- and
- to ensure adequate return for the shareholders by determining the price of its products and services in accordance with the level of risk.

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

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

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

	2012	2011
	'000	'000
	BGN	BGN
Share capital	6011	6011
+ Increase		
- Reduction		
Adjusted capital	6011	6011
Total share capital:	6011	6011