Grant Thornton

Independent Auditor's Report

Financial Report

Annual Management Report

INTERCAPITAL PROPERTY DEVELOPMENT ADSIC

31st December 2012

GrantThornton

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Independent Auditor's Report

To: The shareholders of
INTERCAPITAL PROPERTY DEVELOPMENT ADSIC
Address of the Company – City of Sofia

Report on the Financial Statements

We have audited the accompanying financial statements of "Intercapital Property Development" ADSIC as of 31st December 2012, including statement of financial condition as of 31st December 2012, and consolidated income statement, statement of the changes in equity, and cash flow statement, ending on the same date, as well as the summarized disclosure of applied accounting policies, and other explanatory information.

Responsibility of the management for the financial report

It is the management of the Company who bears the responsibility for the preparation and the true presentation of this financial statement in compliance with the International Financial Reporting Standards, endorsed by the EU and the Bulgarian legislation is carried by the management, as well as for the internal control system which the management considers appropriate for the preparation of these financial statements, which shall not contain any substantial inaccuracies, regardless whether they are caused by fraud or error.

Responsibility of the auditor

Our responsibility comes down to reporting an auditor's opinion on these financial statements, based on the audit performed by us. The audit has been carried out in compliance with the International Financial Reporting Standards. These standards imply complying with the ethical requirements as well as planning and performing the audit in a way which allows us to confirm with reasonable assurance the extent to which the financial statements do not contain any substantial inaccuracies.

The audit includes performing procedures for acquiring audit proofs concerning the amounts and disclosures presented in the financial statements. The procedures selected depend on the auditor's opinion, including assessment of the risks of significant inaccuracies in the financial report, regardless whether they are caused by fraud or error. While carrying out these risk assessments, the auditor takes in consideration the internal control system applied for the preparation and truthful presentation of the financial report by the Company in order to develop audit procedures that are suitable for these circumstances but not with the purpose of expressing opinion on the effectiveness of internal control system of the Company. The auditor also includes an assessment of the relevance of the accounting policies applied and of the rationality of the accounting estimations made by the management, as well as an assessment of the overall performance of the financial report. We consider that the audit performed by us presents sufficient and suitable base for expressing our audit opinion.

Opinion

In our opinion, the financial report provides correct and truthful presentation of the financial condition of Intercapital property Development ADSIC as of 31st December 2012, as well as for the financial results from operations and cash flows for the year, ending on this date in accordance with the International Financial Reporting Standards (IFRS), endorsed by the EU and the Bulgarian legislation.

Paragraph for emphasis on matter

We pay particular attention to Note 2.1 "Going concern" to the financial report, where it is pointed out that the Company has accumulated losses in the last three reporting periods in the amount of BGN 18 234 thousand but the equity of the Company remains positive, as well as the cash flow from operating activities as of 31st December 2012, which is also positive in the amount of BGN 3 012 thousand. As of 31st December 2012, the sum of current liabilities exceeds the sum of current assets with BGN 38 301 thousand, and in 2011 the sum of the current liabilities exceeds the sum of current assets with BGN 20 991 thousand. Our opinion is not modified with respect to these issues.

Report on other legal and regulative requirements – Annual management report as of 31st December 2012

We examined the Annual management report of Intercapital Property Development ADSIC as of 31st December 2012, which is not part of the financial report. The historical information presented in the annual management report written by the management, complies in all material aspects with the financial information contained in the financial report as of 31st December 2012, prepared in compliance with the International Financial Reporting Standards, endorsed by the EU and the Bulgarian legislation. The responsibility for the preparation of the annual management report lies within the management.

Margiy Apostolov
Registered Auditor
Director

Dr. Mariana Mihailova
Registered Auditor

Grant Thornton OOD
Specialized audit entity
29th March 2013
Sofia

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Report for the financial condition

	Notes	31.12.2012 '000 BGN	31.12.2011 '000 BGN
Assets			
Non-current assets			
Property, plant and equipment	6	4 931	4 981
Investment property	7	41 987	44 861
Intangible assets	8	-	1
Investment in subsidiaries	9	5	5
Non-current assets		46 923	49 848
Current assets			
Work-in-progress	10	**8 347**	**8 695**
Trade accounts receivables	11	309	2 278
Advnace payments	12	142	250
Receivables from related parties	32.1	1 251	1 449
Other receivables		377	147
Cash and cash equivalents	13	100	206
Current assets		10 526	13 025
Total assets		57 449	62 873

Accountant: ______________
/Optima Audit AD/

Executive Director: ______________
/Velichko Klingov/

Date: 29.03.2013

Certified with auditor's report:

____
Dr. Mariana Mihailova

Report for the financial condition

	Notes	31.12.2012 '000 BGN	31.12.2011 '000 BGN
Shareholders' equity			
Share capital	14.1	6 011	6 011
Issue premiums		7 651	7 651
Revaluation reserve	14.2	715	711
General reserves		1	1
Undistributed profit		9 437	9 437
Uncovered loss		(13 794)	(3 352)
Current profit/loss		(4 440)	(10 442)
Total shareholder's equity		**5 581**	**10 017**
Liabilities			
Non-current liabilities			
Liabilities to financial institutions	15	**3 041**	**11 995**
Bonds	15	**-**	**6 845**
Total non-current liabilities		3 041	18 840
Current liabilities			
Liabilities to financial institutions	15	25 863	15 700
Bonds	15	6 929	978
Liabilities to suppliers and customers	16	5 453	6 147
Customers` advance receivables	17	8 899	8 626
Short-term liabilities to related parties	32.2	988	572
Tax payables	18	569	361
Social security payables and salaries payables	19	22	23
Other liabilities	20	104	1 609
Total current liabilities		48 827	**34 016**
Total liabilities		**51 868**	**52 856**
Total shareholder's equity and liabilities		**57 449**	**62 873**

Accountant: ____________
/Optima Audit AD/

Executive Director: ____________
/Velichko Klingov/

Date: 29.03.2013

Certified with auditor's report:

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Dr. Mariana Mihailova

Comprehensive Income Statement

	Notes	31.12.2012 '000 BGN	31.12.2011 '000 BGN
Revenue from sales	21	2 155	4 662
Other revenue	22	1 755	4
Expenses for materials	23	(53)	(35)
Expenses for external services	24	(1 234)	(1 816)
Expenses for salaries	25	(158)	(158)
Expenses for depreciation	6, 8	(55)	(55)
Other expenses	26	(455)	(1 429)
Book value of assets sold	27	(2 175)	(5 638)
Change in the inventories of finished goods and work in progress	10	(66)	(182)
Operating profit/loss		(286)	(4 647)
Financial expenses	28	(3 445)	(4 243)
Financial income	28	-	5
Changes in the fair value of the investment property	29	(709)	(1 557)
Profit before tax		(4 440)	(10 442)
Net tax expenses	30	-	-
Net profit/ (loss)		(4 440)	(10 442)
Earnings per share	31	(0.74)	(1.74)
Other comprehensive income			
Profit from revaluation of land		**4**	**65**
Total annual comprehensive income		**(4 436)**	**(10 377)**

Accountant: ______________
/Optima Audit AD/

Executive Director: ______________
/Velichko Klingov/

Date: 29.03.2013

Certified with auditor's report: ______________

Dr. Mariana Mihailova

Statement of Changes in Equity

All amounts are in '000 BGN	Share Capital	Premium Reserves	Other Reserves	Undistributed Earnings	Uncovered loss	Total equity
Balance 1st January 2011	6 011	7 651	647	9 437	(3 352)	20 394
Profit/Loss	-	-	-	-	(10 442)	(10 442)
Other comprehensive income	-	-	-	-	-	-
Revaluation of non-current assets	-	-	65	-	-	65
Total comprehensive income	-	-	65	-	(10 442)	(10 377)
Balance 31st December 2011	6 011	7 651	712	9 437	(13 794)	10 017
Profit/Loss	-	-	-	-	(4 440)	(4 440)
Other comprehensive income	-	-	-	-	-	-
Revaluation of non-current assets	-	-	4	-	-	4
Total comprehensive income	-	-	4	-	(4 440)	(4 436)
Balance 31st December 2012	6 011	7 651	716	9 437	(18 234)	5 581

Accountant: ____________
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/Velichko Klingov/

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Cash Flow Statement

	Notes	31.12.2012 '000 BGN	31.12.2011 '000 BGN
Cash flow from operating activities			
Customers` receivables		4 598	5 286
Suppliers` payables		(1 186)	(2 176)
Salaries and social securities payables		(157)	(122)
Other operating activities` payments, net		(243)	(354)
Net cash flow from operating activities		**3 012**	**2 634**
Cash flow from investment activity			
Acquisition of property, plant and equipment		-	(54)
Acqusition of investment properties		(10)	-
Net cash flow from investment activity		**(10)**	**(54)**
Cash flow from financing activity			
Payments of bank loans		(1 535)	(1 636)
Payments of interest, fees and commissions		(1 573)	(1 100)
Net cash flow from financing activity		**(3 108)**	**(2 736)**
Net change in cash and cash equivalents		**(106)**	**(156)**
Cash and cash equivalents at the beginning of the period		206	362
Cash and cash equivalents at the end of the period	13	**100**	**206**

Accountant: ____________
/Optima Audit AD/

Executive Director: ____________
/Velichko Klingov/

Date: 29.03.2013

Certified with auditor's report:

____
Dr. Mariana Mihailova

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 is registered as a stock company and is entered in the Commercial Registry in the Sofia City Court, company case № 3624/2005, batch № 92329, volume 1204, reg. 1, page 23. The Bulstat Code is 131397743. The legal seat and the address of the Company`s management is Aksakov Str. № 7a, Sofia.

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

The Company has a one-tier management system. The Board of directors is composed as follows:

- Velichko Klingov
- Temenuga Ivanova
- Tsvetelina Hristova.

The Investor Relations Director is Milen Bozhilov.

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

2 Basis for the preparation of financial statements

The Company maintains its current accounting in accordance with the requirements of the Bulgarian trade and accounting legislation.

The Company's financial statements are prepared in compliance with the International Financial Reporting Standards adopted by the European Commission. 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 and the future standards prepared by the International Accounting Standards Board (IASB).

2.1 Going concern

The financial report is compiled in compliance with the going concern principle. As of the date of the compliance of the present financial report the management of the Company has made an assessment of its ability to continue as a going concern based on the information available for the foreseeable future. Despite the fact that the Company has accumulated losses from its activity in the last two reporting years and that the sum of the current liabilities exceeds the sum of the current assets with BGN 38 301 thousand for 2012 and with BGN 20 991 thousand for 2011, after examination of the Company's activity the management expects that the Company shall have sufficient financial resources to continue its operational activity in the near future and shall continue to apply the going concern principle when preparing its financial statements.

3 Comparative Data

When appropriate, for the purposes of a better presentation of the financial statements, the comparative data is reclassified in order to provide comparability with the current period, while the nature, amount and reasons for the reclassification are duly reported. When it is practically impossible to reclassify the comparative data, the Company announces the reasons for that as well as the nature of the changes that would have been made, should the amounts have been reclassified.

4 Changes in accounting policy

4.1 General provisions

The Company applies the following new standards, amendments and interpretations of IFRS, developed and published by IASB, which affect the financial report of the Company and are mandatory for application since the reporting period beginning on 1st January 2012.

From 1st January 2012, the Company has applied **IFRS 7 "Financial instruments: Disclosure" – write-off** – in force since 1st July 2011, accepted in EU since 23rd November 2011. The amendment to IFRS 7 leads to greater transparency in the reporting of transactions with financial instruments and facilitates the understanding of the users of financial statements for the risk exposure in transfers of financial assets and the impact of these transfers on the financial position of the company, especially in the case of securitization of financial assets.

There is no significant effect on the Company's operations and disclosure from the application of the amendment to IFRS 7.

4.2 Standards, amendments and interpretations which are still not in force and have been applied at an earlier date by the Company

At the date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published, but are not in force and have been applied at an earlier date by the Company.

The significant effects on current and prior or future periods arising from the first-time application of the new requirements for presentation, recognition and measurement are described below:

IAS 1 "Presentation of Financial Statements" - other comprehensive income - effective July 1, 2012, adopted by the EU on June 5, 2012

The Company presents the components of other comprehensive income into two groups, depending on whether they will be reclassified in profit or loss in subsequent periods. Components which are not reclassified, e.g. revaluation of property, plant and equipment are presented separately from components that will be reclassified such as deferred gains and losses on cash flow hedges. As the Company has chosen to present the components of other comprehensive income, before taxes, it should show the amount of tax for each group separately. The name of the income statement has been changed to "statement of profit or loss and other comprehensive income".

4.3 Standards, amendments and interpretations, which are still not in force and have not been applied at an earlier date by the Company

The following new standards, amendments and interpretations have been already published but have not been enforced yet and have not been applied earlier by the Company:

IFRS 1 "First-time Adoption of International Financial Reporting Standards" - changes on hyperinflation and fixed dates, effective July 1, 2011, not yet adopted by the EU.

IFRS 1 "First-time Adoption of International Financial Reporting Standards" - government loans, effective since 1 January 2013, not yet adopted by the EU.

IFRS 7 "Financial Instruments: Disclosures" - Netting of financial assets and financial liabilities – effective since 1 January 2013, not yet endorsed by the EU

The new disclosures are associated with quantitative information on recognized financial instruments, which are netted in the statement of financial position as well as those financial instruments for which there is a netting agreement regardless whether they are netted.

IFRS 9 "Financial Instruments" effective from 1 January 2015, not yet endorsed by the EU

IFRS 9 is the first part of the project of the International Accounting Standards Board (IASB) to replace IAS 39 "Financial Instruments: Recognition and Measurement". It replaces the four categories of financial assets in their assessments of IAS 39 classification based on a single principle. IFRS 9 requires all financial assets to be measured at either amortized cost or fair value. Amortized cost provides information that is useful in making decisions regarding financial assets that are held primarily to the receipt of cash flows represent the payment of principal and interest. For all other financial assets, including those held for trading, fair value is the most relevant measurement basis. IFRS 9 eliminates the need for multiple methods of depreciation and depreciation method provides only for assets carried at amortized cost. Additional sections in relation to impairment and hedge accounting are still being developed. The Company does not expect the changes to be implemented before the release of all sections of the standard and currently can not assess their overall effect.

IFRS 10 "Consolidated Financial Statements" effective from 1 January 2013, not yet endorsed by the EU

IFRS 10 "Consolidated Financial Statements" introduces a new definition of control based on certain principles that should apply to all investments in determining the basis for consolidation. According to preliminary analyzes of leadership IFRS 10 does not lead to changes in the classification of the existing investments of the Company as of 31.12.2012

IFRS 11 "Joint Arrangements" effective from 1 January 2013, not yet endorsed by the EU

IFRS 10, 11, 12 - Transitional provisions, effective from 1 January 2013, not yet endorsed by the EU

The transitional provisions allow companies not to apply IFRS 10 retrospectively in certain circumstances and to present comparative information adjusted IFRS 10, 11, 12 only a previous comparative period. Provisions exempt companies from the requirement to present comparative information in financial statements for periods prior to the first financial year in which IFRS 12 is attached.

IFRS 12 "Disclosure of interests in other entities" effective from 1 January 2013, not yet endorsed by the EU

IFRS 12 "Disclosure of interests in other entities" is a new standard on disclosure requirements for all forms of interests in other entities, including joint ventures, associates, special purpose entities and other unconsolidated companies.

IFRS 13 "Fair Value Assessment" effective from 1 January 2013, not yet endorsed by the EU

IFRS 13 "Fair Value Assessment" defines fair value as the price that would be received upon sale of an asset or paid to transfer a liability in customary transaction between market participants at the measurement date. The standard clarifies that fair value is based on trades executed on the main market for the asset or liability, or failing that - the market with the most favorable conditions. The main market is the largest volume and activity for the asset or liability. Management is currently reviewing the methodology for assessing the fair value of the new requirements and still analyzes the effect of the change on the financial statements.

IAS 1 "Presentation of Financial Statements" - other comprehensive income - effective since 1 July 2012, adopted by the EU on 5 June 2012

The amendments require the production of components of other comprehensive income into two groups, depending on whether they will be reclassified in profit or loss in subsequent periods. Components that are not reclassified, e.g. revaluation of property, plant and equipment are presented separately from components that will be reclassified as deferred gains and losses on cash flow hedges. Companies selected to present components of other comprehensive income before taxes must show the amount of tax for each group separately. The name of the income statement has been changed to "statement of profit or loss and other comprehensive income", but can use other titles. The amendments should be applied retrospectively.

IAS 12 "Income Taxes" - Deferred tax - effective since 1 January 2012, not yet endorsed by the EU

The standard requires companies to evaluate deferred tax assets related to, depending on how it is expected to be restored to their carrying amount through use or sale. Since for investment properties reported at fair value in accordance with IAS 40 "Investment Property" it is difficult and subjective to determine how much you will be reimbursed by subsequent use or sale, an exception to that rule is introduced – rebuttable presumption that the carrying value of these investment properties will be recovered only through sale. As a result of the amendments included SIC 21 "Income Taxes - Recovery of Revalued Non-Depreciable Assets", would be canceled.

IAS 19 "Employee Benefits" effective since 1 January 2013, adopted by the EU on 5 June 2012

Amendments to IAS 19 remove the corridor method and require the presentation of financial costs and revenues on a net basis. Actuarial gains and losses are renamed revaluation and should be recognized immediately in other comprehensive income. They are not reclassified to profit or loss in subsequent periods. The amendments apply retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". No major changes are expected for the company applies the corridor method or does not recognize all actuarial gains and losses directly in a profit or loss.

IAS 27 "Separate Financial Statements" (revised) effective since 1 January 2013, not yet endorsed by the EU

IAS 27 "Separate Financial Statements" (revised) now applies only to individual financial statements; the requirements are not substantially altered.

IAS 28 "Investments in associates and joint ventures" (Revised) effective since 1 January 2013, not yet endorsed by the EU

IAS 32 "Financial Instruments: Presentation" (amended) effective from 1 January 2014, not yet endorsed by the EU

The amendment specifies that a netting of assets and liabilities should be in force at the time, not to arise by a future event. It should also be exercised by all parties in the ordinary course of business and in the case of default, insolvency or bankruptcy.

IFRIC 20 "Cost of removal and surface cleaning in the production phase of the mine" effective since 1 January 2013, not yet endorsed by the EU

Annual 2011 Improvements effective since 1 January 2013, not yet adopted by the EU

- Amendments to IFRS 1 clarifies that an entity can apply IFRS 1 more than once under certain circumstances. A right to choose the application of IAS 23 from the date of transition or an earlier date is introduced.
- IAS 1 amendment clarifies that entities that represent two comparative periods in the statement of financial position in accordance with IAS 8, should include information about the opening balance of the previous period in the notes. If management presents on his own additional comparative information in the statement of financial position or income statement and notes, it should include additional information.
- The amendment to IAS 16 clarifies that spare parts and servicing equipment are classified as property, plant and equipment, not inventory, where applicable definition of property, plant and equipment and are used for more than one year.
- The amendment to IAS 32 clarifies that the reporting of income tax in respect of dividends and expenses on transactions with owners in accordance with IAS 12. Income tax relating to the distribution of dividends is recognized in profit or loss as income tax expenses related to transactions with owners recognized directly in equity.
- The amendment to IAS 34 clarifies that the total assets and liabilities by segment is presented in the interim financial statements, if this information is regularly provided to the persons responsible for making operating decisions and it has changed significantly compared to information disclosed in the last annual financial statements.

5 Accounting Policy

5.1 General Position

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.

No substantial effects in the current, previous and future periods resulting from the initial implementation of above mentioned standards and interpretations regarding presentation, recognition and estimation of the amounts have occurred.

5.2 Transactions in foreign currency

The items of the financial statements of the Company are valuated in the currency of the general economic environment in which the Company performs its activity ("functional currency"). The functional and presentation currency of the financial statements is Bulgarian lev BGN. This is the functional currency and the currency for presentation of the Company.

The transactions in foreign currency are accounted when they are initially recognized in the accounting currency of the Company at the official foreign exchange rate for the transaction date, (the fixing announced by the Bulgarian National Bank). The gains and losses from foreign exchange operations, arising at the settlement of those transactions and at the revaluation of the positions in foreign currency at the end of the period, are reflected in the Income Statement.

The Currency Board in Bulgaria was introduced on 1 July 1997 in accordance with the recommendations of the International Monetary Fund (IMF) and initially the BGN was fixed to Deutsche Mark in the ratio of 1:1. When the Euro was introduced, the Bulgarian lev was fixed to the Euro in proportion 1EUR = 1.95583 BGN.

5.3 Revenues and Expenses

The revenues include revenues from sales of finished goods, investment property and management of investment property.

The revenues are valuated at fair value of the received or receivable compensation, provided that all the commercial discounts and quantity rebates, made by the Company, have been taken into account. In case of an exchange of similar assets with similar price, the exchange is not counted as a revenue generating transaction. The revenues are recognized at the moment of their realization while the expenses are recorded in compliance with the principle of matching with the realized revenue.

In case of a sale of finished goods and goods for sale the revenue is recognized if the following criteria are met:

- The substantial risks and benefits from the ownership of the goods have been transferred to the buyer;
- The seller retains neither continuing participation in the management of the goods for sale or the finished goods, nor effective control over them;
- 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;
- When there is a completed stage of the construction (contracted with the client) as well as when the respective certificate of use is received;

- The revenue from sale of real estate property is reported when there is transfer of ownership or of right to use.

To summarize, the main principle in the accounting policy of the Company is the Matching principle of the revenues to the expenses. That is, only after the final delivery of the finished goods or the goods for sale and the completion of all the expenses related to the packing of those goods the revenues shall be recognized.

The revenue related to a service providing transaction is recognized when the result of the transaction can be measured reliably. The investment revenue from renting of investment properties is included in the Comprehensive Income Statement on the basis of the rendered services for which the service company Marina Cape Management EOOD has issued invoices.

The operating expenses are recorded in the Income Statement at the moment of using the service or on the date of their emergence. The dividends received, excluding those coming from investments in associated companies, are recognized at the moment of their distribution.

The gains and losses from foreign exchange operations are recognized currently as the transactions are performed and the related foreign exchange differences are realized.

The revenues from fees and commissions are classified as operating revenues.

The revenues from interests are recognized on a proportionate time basis by using the method of the effective interest rate.

When a receivable is questionable the Company reduces its book value to its realizable value - the expected future cash inflow discounted at the initial effective interest rate of the instrument – and continues to unfold the discount in the form of interest revenues.

According to the model of the fair value all investment properties are estimated at fair (market) value and when the financial statements are prepared the difference between the book and the fair value is accounted as a revenue or expenditure from revaluation of investment property in the Income Statement. Depreciation of investment property is not calculated.

The Company writes off its investment properties when they are sold or when they are permanently out of usage, in case that no economic benefits are expected from their sale. The profits and losses from taking out of usage or sale of the investment properties are included in the Income Statement (comprehensive income) and represent the difference between the net proceeds from the sale and the book value of the asset.

5.4 Loan expenses

The loan expenses are mainly interest paid on the loans received by the Company. All the loan expenses, including those which could be directly attributed to the purchase, construction of an asset responding to the requirements, are recognized as expenses for the period in which they have arisen as part of the "financial expenses" in the Income Statement. In the Comprehensive Income Statement are reported additionally paid bank fees related to renegotiating loan relationships. Till the final completion of the construction works for a respective project the loan expenses increase the direct coast of the properties in construction. After the final completion of the construction works on the project the capitalization of the loan expenses shall be ceased. The capitalization of those expenses shall be ceased also in case of temporary suspension of the construction works.

5.5 Intangible assets

The intangible assets are initially valuated at their cost. In case of independent acquisition the cost is equal to the purchase amount plus all non-recoverable taxes and direct expenses made in relation of the preparation of the asset for exploitation.

The subsequent assessment is performed at acquisition cost less the accumulated amortization and impairment losses. The impairments are reported as an expense and are recognized in the Income Statement for the respective reporting period.

The subsequent expenses arising in relation to the intangible assets after the initial recognition are recognized in the Income Statement for the period in which they arise unless there is a possibility to help the asset generate more than the initially expected future economic benefits, and when these expenses can be measured reliably and assigned to the asset. If these two conditions are fulfilled the expenses are added to the cost of the asset.

The depreciation is calculated by using the straight-line method on the estimated useful life of the separate assets as follows:

- software 2 years
- others 6.5 years

The depreciation is included in "expenses for depreciation and impairment of non-financial assets".

The trade brands and licenses are reported at historical price. They have limited useful life and are recorded at their cost less the accumulated amortization.

The Company performs a careful estimation when determining if the criteria for initial recognition of the expenses as an asset are met. The estimation of the management is based on all the existing information as of the date of the Report for Financial Condition. In addition, all the activities related to the development of a non-current intangible asset are observed and controlled by the management.

The chosen threshold of essence of the non-current intangible assets owned by the Company is 700 BGN.

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

The property, plant and equipment are initially valuated at their cost, including the cost of acquisition as well as all the directly attributable costs needed to bring the asset into working condition.

The subsequent valuation is performed at acquisition cost less the accumulated depreciation and impairment losses. The impairments are reported as an expense and are recognized in the Income Statement for the respective reporting period.

The subsequent expenses related to a certain asset of property, plant and equipment are added to the book value of the asset when it is probable that the asset shall generate more than the initially expected future economic benefits. Any other subsequent expenses are recognized as expenses for the period in which they have occurred.

The Company applies the alternative approach for further valuation of property, plant and equipment, and the recommended approach for all the other non-current tangible assets.

The increases of the value which are due to revaluation of land are accounted as an increase of the reserves. The decreases that are up to the amount of previous increases in the same asset are reported as decrease of the same reserve. Further decreases in the value of the asset are accounted as decrease of the additional reserves (if there are such ones) or as current expenditure. The revaluation reserve is recognized as undistributed profit after the decommissioning of the respective asset.

The results from decommissioning of non-current assets are determined by comparing the proceeds to the book value and are reported in the financial result for the period.
If the book value of a certain non-current asset is higher than its realizable value, this asset shall be impaired to its realizable value.

Property, plant and equipment acquired under the terms of a financial lease are depreciated based on their expected useful duration determined by comparing the asset to similar assets, or based on the lease value if the latter has a shorter duration.

The depreciation of property, plant and equipment is calculated by using the straight-line method of depreciation on the estimated useful life of the different groups of assets as follows:

- Buildings 25 years
- Machinery 3,3 years
- Vehicles 4 years
- Office fittings 6,67 years
- Computers 2 years
- Others 6,67 years

The chosen threshold of essence of the property, plant and equipment owned by the Company is 700 BGN.

5.7 Tests for impairment of the intangible assets, property, plant and equipment

In calculating the impairment the Company defines the smallest distinctive group of assets for which independent cash flows can be determined – a unit generating cash flows. As a result, some of the assets need to be tested for impairment on an individual basis and others on a unit basis, generating cash flows.

All the assets and units, generating cash flows, are tested for impairment when events or a change in the circumstances indicate that their book value cannot be reintegrated.

When the realizable value of certain asset or a unit, generating cash flows, is lower than the respective book value, the latter is reduced to the amount of the asset's realizable value. This reduction is an impairment loss. In order to determine the realizable value the Company's management calculates the expected future cash flows for each unit, generating cash flows, and determines a suitable discount factor to calculate the present value of these cash flows. The data, used to make tests for impairment is directly related to the last approved forecast budget of the Company, which is corrected if necessary in order to exclude the influence of future reorganizations and substantial improvements of the assets. The discount factors are determined separately for any distinct unit, generating cash flows, and reflect the risk profile estimated by the Company's management.

The impairment losses per unit, generating cash flows, are distributed in reduction of the book value of the assets from this unit proportionately to their book value. The Company's management subsequently estimates if indications exist showing that the impairment loss recorded in previous years is reduced or does not exist anymore. An impairment loss recorded in a previous period shall be reintegrated if the realizable value of the unit, generating cash flows, is more than its book value.

5.8 Investment property

The Company reports as investment property buildings that are held rather to generate rental income or to increase the company's equity or for both and also for sale within the ordinary economic activity.

Investment property is recognized as an asset in the financial statements of the Company only if the following two requirements are met:

- it is likely to be obtained future economic benefits from the investment property;
- the value of the investment property could be estimated reliably.

The investment property is valuated initially at cost that includes the purchase price and any others expenditures which are directly related to the investment property – such as legal fees, transfer property's taxes and other expenditures for the deal.

After their initial recognition the investment properties are reported in compliance to **the model of the fair value**. The fair value is the most probable price which could be obtained on the market as of the date of compounding the Report for Financial Condition. The investment properties are revaluated on an annual basis and they are included in the Income Statement with their market values. The revaluations are made by independent appraisers with professional qualification and serious work experience and they also have to have recent experience in the location and the category of the qualified property. The qualifications have to be based on pieces of evidence for the market conditions.

Changes in the fair value of the investment properties or in the value of the sale of the investment property are reported in the Comprehensive Income Statement for the reporting period.

The subsequent expenditures related to the investment property, which have already been recognized in the financial statements of the Company, are added to the book value of the property when it is probably for the Company to obtain future economic benefits that are higher than the initially estimated value of the existing investment property. All other subsequent expenditures are recognized for expenditure in the period when they are incurred.

The Company writes off its investment property when it is sold or when it is permanently taken out of usage, in case that no economic benefits are expected from its sale. Profits and losses from decommissioning or sale of investment properties are included in the Income Statement and are calculated as the difference between the net proceeds from the sale and the book value of the asset.

The rental income and the operating expenditures, related to the investment property, are accounted accordingly as "revenue" and "other expenditures". As a rule the profit from investment property (renting) is an investment profit and is stated separately.

5.9 Financial Assets

The financial assets, excluding the hedging instruments, include the following categories of financial instruments:

- Loans and receivables;
- Financial assets, reported at fair value in the profit or loss
- Investments held to maturity;
- Financial assets available for sale.

Financial assets are distributed towards the different categories depending on the reason why they were acquired. The category of a financial instrument determines the methods used for its valuation and whether the revenues and expenses are reported in the Comprehensive Income Statement or directly to the equity of the Company.

When first recognizing a financial asset the Company values it at fair value. The transaction costs which could be allocated directly to the purchase or the issuance of a financial asset are allocated to the value of the financial asset or liability except the financial assets and liabilities reported at fair value in the profit or loss.

A write-off of a financial asset is affected when the Company looses control over the contractual rights that represent the financial asset – i.e. when the rights to receive cash flows have lapsed or a significant portion of the risks and rewards from owning the assets has been transferred. Tests for the depreciation are carried out at each balance sheet date, in order to determine whether objective evidence about the depreciation of specific financial assets or groups of assets do exist.

The interest payments and other cash flows related to the ownership of financial instruments are recognized in the Income statement when they are received, regardless of how the balance sheet value of the financial asset they are related to is determined.

Loans and receivables are non-derivative financial instruments with fixed payments that are not traded on an active market. The subsequent valuation of loans and receivables is made based on the amortized value using the effective interest rate method.

Significant receivables are tested for any impairment separately, when they are passed due as of the balance sheet date or when objective evidence exists that the counterparty would not honor its obligations. All other assets are tested for impairment in groups, determined based on the industry and the region of the counterparty as well as based on other credit risks if applicable. In this case the percentage of depreciation is determined based on historical data on defaults of counterparties in each group identified.

5.10 Inventories, work in progress

The Company operates only by contracting various activities to different contractors; i.e. the Company does not have its own staff and contracts all activities to outside firms. The direct cost of the work in progress includes the expenditures for design, construction-assembly works, advertisement, construction supervision, fees and etc. The cost of the finished goods includes also the loan expenses incurred for the construction of a particular project. (amended IFRS 23, applicable from 01.01.2009).

In the cost of the finished goods (real estate – apartments, commercial properties and etc.) is included as an element and a portion of the value of the land that corresponds to its impairment due to limited rights of disposal. The land shall be valuated (according to the Bulgarian legal framework too) by independent licensed appraiser at least once annually.

The direct expenditures are accumulated in the moment of their incurrence by batches for the particular projects, and the indirect expenditures are distributed proportionally to the direct expenditures incurred for the project.

The inventories include materials and finished goods. In the cost of inventories are included the purchase cost and other directly attributable costs related to the delivery. The financial expenses are included in the value of the inventories (work-in-progress) as their attachment to the particular project is analytically taken into account. After the final completion of the construction works the financial expenses are reported directly in the financial result. In case of suspension of the construction works the reporting of the loan expenses, fees and commissions on the used loan financing to the work-in-progress shall be ceased.

The Company determines the expenses for inventories by using the weighted average method.

In case of a sale of inventories, their book value is recognized as an expense for the period in which the respective revenue has been recognized.

5.11 Income taxes

The Company's financial result is not subject to taxation with a corporate tax pursuant to Art.175 of the Corporate Income Tax Law.

5.12 Cash and cash equivalents

The Company reports as cash and cash equivalents the money held in cash and in bank accounts.

5.13 Equity and dividend payments

The Company's share equity shows the nominal value of the issued shares.

The undistributed profit includes the current net profit/loss that is included in the Income Statement and cumulated profits and loss not covered from previous years.

In compliance with Art.10 of the ADSIC Law the Company should distribute as dividends at least 90% from its current annual profit which is determined in the way stated bellow and in consequence of the requirements of Art.247a of the Trade Law. The profit for distribution is the financial result (accounting profit/ loss) corrected as follows:

1. increased/ decreased with the losses/ gains from subsequent asset valuations;
2. increased/ decreased with the losses/ gains from transactions transferring ownership of real estate;
3. increased/ decreased in the year of ownership transfer of assets with the positive/ negative difference between:

a) the asset selling price; and

b) the sum of asset historical price and subsequent expenses brought about increasing its book value.

The Company could issue only dematerialized shares which are registered in accounts in the Central Depository. The Company's shares could be written down only for cash payments and their whole issued value should be paid, except in the cases of transforming from shares into bonds, issued as convertible. The ordinary shares are classified as shareholders` equity.

The inherent for issuing new shares or options additional expenditures are included in the shareholders` equity as decrease of proceeds on net taxes. The directly connected with issuing of new shares additional expenditures are included in the price of the acquisition as a part of the payment when purchasing.

The Company could not issue shares which give a right of more than one vote or additional liquidation quota.

The Company could issue different classes of shares. The shares from the same class give equal rights to the shareholders.

The Company could issue the following classes of shares:
class A – ordinary registered shares with a right of vote and
class B – preference shares with a right of guaranteed or additional dividend and without a right of vote.

The Difference between the nominal value of issued shares and the issue value is included in the additional reserves and it is an element of shareholders` equity of the Company.

5.14 Pension and other liabilities to the personnel

The short-term liabilities to the personnel include wages, salaries and social contributions.

The Company has not elaborated and does not apply any plans for remuneration of employees after they leave or other long-term remunerations and plans for remuneration of employees after they leave, or in the form of compensations with stocks or shares of the equity.

5.15 Financial liabilities

The financial liabilities include bank loans, commercial and other liabilities as well as financial lease payables.

The financial liabilities shall be recognized when there is a contracted obligation to pay a certain money amount or other financial assets to another company or contract liability of exchange of financial instruments with another company in case of unsuitable conditions. All the expenses related to interest payments are recognized as financial expenses in the Income Statement.

The bank loans are reported in the Company's Balance Sheet, net from the expenses associated with receiving the credit. Financial expenses such as premium payable when settling the debt or its buy-back, and directly attributable to the transaction expenses are reported in the Income Statement in accordance with the recording principle and the effective interest rate method, and are added to the carrying value of the financial liability to the extent to which they have not been settled as of the end of the period in which they have occurred.

Commercial payables shall be initially recognized at nominal value and consequently valuated at their amortizing value less any payments associated with settling the liability.

The dividends that should be paid to the shareholders of the Company are recognized when the dividends are approved on a meeting of the shareholders.

5.16 Provisions, conditional assets and conditional liabilities

Provisions are recognized when there is likelihood that present liabilities, as a result of past events, bring about an outflow of resources of the Company and the amount of the liability could be measured reliably. It is possible that the duration or the amount of cash outflow is not reliable. The current liability rises from the presence of a legal or constructive obligation in consequence of past events. Provisions for restructuring are recognized if a detailed restructuring plan is elaborated and applied or if the management has announced the main points of the restructuring plan to the affected persons. Provisions for future losses from the activity are not recognized.

The amount recognized as a provision is computed based on the most reliable estimation of expenses necessary to settle the current liability by the end of the reporting period provided that the risk and uncertainty are taken into account, including those related to the current liability. The provisions are discounted when the effect of the time differences in the value of money is substantial.

Compensations by third parties in relation to a given liability of the Company are recognized as a different asset. This asset, however, could not be more than the amount of the respective provision.

The provisions are revised by any Balance Sheet date and their amount is corrected so that it reflects the best approximate estimate by the Balance Sheet date. In the cases in which it is assumed that a resource outflow as a result of a current liability is not likely to occur, such a liability is not recognized. The Company does not recognize any conditional assets since recognizing them may result in recognizing an income which may never be realized.

5.17 Significant estimations of the management when applying the accounting policy

The significant estimations of the Management when applying the accounting policies of the Company, which have the most essential influence on the financial statements, are described below. The main sources of uncertainty when using the approximate accounting estimates are described in point 5.18.

5.18 Uncertainty of the approximate accounting estimates

Preparing the financial report the management is related to a number of suppositions, estimations, and assumptions associated with the recognition and valuation of assets, liabilities, revenues and expenses.

The actual results may differ from the suppositions, estimations, and assumptions made by the management and very rarely correspond to the results estimated in advance.

Information about the existing suppositions, estimations, and assumptions which have the most essential influence on the recognition and valuation of assets, liabilities, revenues and expenses is presented below.

5.18.1 Impairment

As impairment loss is recognized the amount by which the book value of a given asset or a unit generating cash flows exceeds its realizable value. In order to determine the realizable value the Company's management calculates the expected future cash flows for each unit generating cash flows and determines the suitable discount factor to compute the net present value of these cash flows. To calculate the expected future cash flows the management makes suppositions on the future gross income. These assumptions are associated to future events and circumstances. The actual results may vary and impose substantial corrections in the Company's assets for the next reporting year.

In most cases determining the applicable discount factor includes performing suitable corrections due to market risk and risk factors which are specific for the different assets.

5.18.2 Useful life of the amortizing assets

The management revises the useful life of the amortizing assets at the end of each reporting period. By December 31, 2011 the management determines the useful life of assets, which is the expected duration of using the Company's assets. The book values of the assets are analyzed in point 5. The actual useful life may be different from the estimated one due to technical and moral warning out of mainly software products and computer equipment.

6 Property, plant and equipment (Tangible assets)

The book value of the property, plant and equipment could be presented as follows:

	Land	Machinery	Computer and other equipment	Total
	'000 BGN	'000 BGN	'000 BGN	'000 BGN
Book Value				
Balance as of 1st January 2012	4 500	545	3	5 048
Newly acquired assets	-	-	-	-
Modification as a result of revaluation	4	-	-	4
Written-off assets	-	-	-	-
Balance as of 31st December 2012	**4 504**	**545**	**3**	**5 052**
Depreciation				
Balance as of 1st January 2012	-	(64)	(3)	(67)
Written-off depreciation	-	-	-	-
Depreciation	-	(54)	-	(54)
Balance as of 31st December 2012	**-**	**(118)**	**(3)**	**(121)**
Book Value as of 31st December 2012	**4 504**	**427**	**-**	**4 931**

	Land	Machinery	Computer and other equipment	Total
	'000 BGN	'000 BGN	'000 BGN	'000 BGN
Book Value				
Balance as of 1st January 2011	4 435	545	3	4 983
Newly acquired assets	-	-	-	-
Modification as a result of revaluation	65	-	-	65
Written-off assets	-	-		
Balance as of 31st December 2011	**4 500**	**545**	**3**	**5 048**
Depreciation				
Balance as of 1st January 2011	-	(9)	(3)	(12)
Written-off depreciation	-	-	-	-
Depreciation	-	(55)	-	(55)
Balance as of 31st December 2011	**-**	**(64)**	**(3)**	**(67)**
Book Value as of 31st December 2011	**4 500**	**481**	**-**	**4 981**

Land owned by the Company has been revaluated with BGN 4 thousand in 2012 (in 2011 the land was impaired with a total of BGN 65 thousand).

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 31.12.2012 of all the company's real estate properties by the independent appraiser – "Dobi 02" Ltd., the result of which was reported in the financial statement of the Company.

The next table presents the changes in the value of the investment property in 2012 and 2011.

	31.12.2012 '000 BGN
Book value as of January 01, 2012	**44 861**
Newly acquired assets	10
Written-off assets	(2 175)
Net profit from changes in fair value	(709)
Book value as of December 31, 2012	**41 987**

	31.12.2011 '000 BGN
Book value as of January 01, 2011	**50 055**
Newly acquired assets	2 001
Written-off assets	(5 638)
Net profit from changes in fair value	(1 557)
Book value as of December 31, 2011	**44 861**

The Company has invested in the construction of two projects - "Marina Cape" and "Borovets Grand". The projects are described in detail further below.

The construction of the project "Marina Cape" was entirely comlpeted in 2010 and more particularly Zone 4 in the project was finished for which the Company received Certficate of commissioning in August 2010. In addition, the completion works and the final equipment of all the rest properties in the project which up to then were reported as work-in-progress were finished. As a result with Resolution of the Board of Directors from 01.10.2010 all non-sold properties in the complex "Marina Cape" were recognized as investment property which led to increase of the value of the investment property with BGN 22 806 thousand.

The amount of BGN 843 thousand is reflected as a work in progress and represents the accumulated cost of sales of real estate in the resort "Marina Cape", which will be recognized as an expense when the revenue from sale is recognized by a notary deed or a transfer of rights of use in order to observe the principle of comparability of revenues and expenses. Another BGN 261 thousand is also shown as work in progress and represents equipment for restaurants on site.

As of 31.12.2012 the "Borovets Grand" project is also reported as "work-in-progress".

There are two projects that have been built on land plots, owned by the Company. The projects are described in detail below:

Marina Cape Project

"Marina Cape" holiday complex is located in the peninsula part of the Black sea town of Aheloy which allows for picturesque views of both the bay and the open sea. That is reflected both in the urban decision – plastic S-shape of the first and second zone, and in the modeling of the individual residences. An important emphasis of the overall silhouette is the lighthouse and the clock tower.

The complex consists of four distinct zones deployed on a property with area of 40 000 m^2 and forming a total gross floor area over 66 000 m^2, with a total of 761 apartments. The complex has 4 restaurants, 4 cafes, 14 spaces for shops, 2 squash rooms (licensed by the Squash Federation), a room for medical and dental center, fully equipped and working fitness, spa center, bowling, children`s center, a room set aside for a bank office, administrative part, offices, 2 swimming pools, and servicing rooms to the relevant objects.

Each zone consists of separate sectors (total 27) and the majority are residential, except the sectors which are intended for: bank office, sport playground area, children`s center and Sector 27 – a restaurant on two levels. As part of the housing sectors are included public buildings – restaurants, cafes, shops, offices, rooms for medical center, fitness. In the central part of the complex there is a swimming pool with a total area of 910 m^2 with a pool bar and a children's swimming pool, and in the north-east side is located a pool on area of 470 m^2.

There is a special project to plant surrounding area of the holiday complex. The ground floor residences of much of the buildings have small separate yards.

The total area of the trade and public objects in the complex is nearly 12 000 m^2. For the purposes of the complex is constructed and put into operation a new incoming water supply, sewerage and electricity grid. It is done rehabilitation of the existing roads and streets in the region. It is also done and an entirely new road link. There are the appreciate systems to provide telephone signal and internet, including a network for wireless internet and also systems for fire-alarm and video surveillance.

Borovets Grand Project

The project envisages construction of residential properties mainly for holiday use in detached complex of buildings. The complex carries the trade name "Borovets Grand". It is located in the area of Borovets Resort. Borovets is located on 62 km southeast of Sofia. Borovets is one of the oldest and well-known winter resorts in Bulgaria. Today Borovets is the biggest Bulgarian ski center by length and capacity of the ski slopes and facilities. The climate is mild and in the winter is soft and with much snowfall. The average temperature in January that is the coldest month, is about 4,8° C. Usually the ski season is from the middle of December to April. The resort proposes excellent conditions for winter sports: Alpine skiing, snowboarding, ski-running. The slopes are marked and supported and their total length is 58 km and the longest slope is 12 km. In the complex there are 12 ski-lifts with total length over 14 km. The ski-lifts provide access to the surrounded peaks – Musala, Small Musala , Irechek, Deno, Aleko.

Borovets Grand Complex
The project is for "L"-shaped building situated in the southeastern side of the parcel. There is an egress on two streets. The first two levels are half-dug because of the big displacement. Above these two levels there are three residential floors and on the attic floor there are maisonettes. The Borovets Hotel Complex is located in the old center in the Borovets Resort. On the same place has functioned a summer cinema in the past. The property has been a part of forest, in its northwestern side there is a dense forest, and southwest there is a small river.

The trade-administrative zone and the servicing objects are located in the complex ground floor and basement. They include lounge with a reception and administration, lobby bar, restaurant for 110 places with banquet room and covered terrace, two shops, ski-cloakroom, fitness and spa center, indoor pool, children`s center, bowling, hairdresser`s, lounge with registry. Also there are technical and official rooms and water closets, including and for people with disabilities. The total area of the retails is 3 140 m^2. The complex has a covered parking on two levels with 34 places and open with 16 places as well.

The residential part of the complex consists of 75 residences with total gross floor area of 5 175 m^2. They are 41 studios, 14 apartments mainly with one bedroom, and a big variety of maisonettes.
In the surrounding area will be realized a project to plant, with alleys and part lighting and the pine forest will be preserved.

Real estate owned by "Intercapital Property Development" ADSIC given as collateral for credits received by the Company

<u>1. Towards „Piraeus Bulgaria Bank" AD</u>

1.1. Contract for an investment credit № 1236/2007, concluded on 19.10.2007 for the amount of EUR 4 500 000 (four million and five hundred thousand euro) to finance the construction of a complex of residential buildings for a seasonal use "Marina Cape", Aheloy Town, Pomorie Municipality, Bourgas Province.

- Deed of incorporation of mortgage contract from 08.11.2007, № 112, vol. XII, reg. № 3901, case № 2217/2007 of a notary Hristo Roidev, collateral of bank credit № 1236/2007, concluded on 19.10.2007;
- Deed of incorporation of mortgage contract from 04.12.2008, № 80, vol. VII, reg. № 4288, case № 1226/2009 of a notary Gergana Nedina, collateral of bank credit № 1236/2007, concluded on 19.10.2007, Annex A1-1236 from 16.01.2009 and Annex A2-1236 from 19.10.2009;
- Pledge contract on receivables №1236-1/2007, concluded on 23.10.2007, collateral of investment credit № 1236/2007 - Registered pledge on receivables from concluded contracts for sale of detached residential properties in the complex "Marina Cape", described in detail in an enclosure to the contract entered in the Central Pledges Register on 07.11.2007;

- Pledge contract on receivables №1236-2/2007, concluded on 23.10.2007, collateral of investment credit № 1236/2007 – Registered pledge on receivables of cash funds from the special bank account of the company at "Bank Piraeus Bulgaria" AD – entered in the Central Pledges Register on 07.11.2007;
- Pledge contract on receivables №1236-4/ 2009, concluded on 19.10.2009, collateral of investment credit № 1236/2007 - Registered pledge on receivables from concluded contracts for sale of detached residential properties in the complex "Marina Cape", described in detail in an enclosure to the contract entered in the Central Pledges Register on 03.12.2009.

1.2. Contract for an investment credit № 736/2008, concluded on 07.07.2008 for the amount of EUR 3 000 000 (three million euro) to finance construction-assembly and finishing works in complex of residential buildings for seasonal use "Marina Cape", Aheloy Town, Pomorie Municipality, Bourgas Province.

- Deed of incorporation of mortgage contract from 09.07.2008, № 35, vol. VIII, reg. № 2387, case № 1404/2008 of a notary Hristo Roidev, collateral of bank credit № 736/2008, concluded on 07.07.2008;
- Pledge contract on receivables № 736 – 1/2008, concluded on 07.07.2008, collateral of bank credit № 736/2008 from 07.07.2008 – Registered pledge on receivables from concluded contracts for sale of detached residential properties in the complex "Marina Cape", described in detail in an enclosure to the contract in the Central Pledges Register.
- Pledge contract on receivables № 736 – 2/2008, concluded on 07.07.2008, collateral of bank credit № 736/2008г. от 07.07.2008 г. - Registered pledge on receivables of cash funds from the special bank account of the company at "Bank Piraeus Bulgaria" AD – entered in the Central Pledges Register;
- Pledge contract on furniture and facilities № 736 – 3/2008, concluded on 10.07.2008, collateral of bank credit № 736/2008 from 07.07.2008 – Registered pledge on furniture and facilities of the apartments from Zone 4 in "Marina Cape" Complex, Aheloy Town, Pomorie Municipality;
- Deed of incorporation of mortgage contract from 04.12.2008, № 80, vol. VII, reg. № 4288, case № 1226/2009 of a notary Gergana Nedina, collateral of bank credit № 736/2008, concluded on 07.07.2008, Annex A1-736 from 16.01.2009 and Annex A2-736 from 19.10.2009.

1.3. Contract for an investment credit № 327/2009, concluded on 14.12.2009 for the amount of EUR 3 300 000 (three millions and three hundred thousand euro) to finance payments on dividends and finishing works and infrastructure of "Marina Cape" project, Aheloy Town, Pomorie Municipality, Bourgas Province.

- Deed of incorporation of mortgage contract from 21.12.2009, № 162, vol. VII, reg. № 4500, case № 1306/2009 of a notary Gergana Nedina, collateral of bank credit № 327/2009, concluded on 14.12.2009;
- Pledge contract on receivables № 327-1/2009, concluded on 14.12.2009, collateral of bank credit № 327/2009 от 14.12.2009 - Registered pledge on receivables from concluded contracts for sale of detached residential properties in the complex "Marina Cape", described in detail in an enclosure to the contract in the Central Pledges Register;

- Pledge contract on receivables № 327-4/2009, concluded on 14.12.2009 - Registered pledge on receivables of cash funds from the special bank account of the company at "Bank Piraeus Bulgaria" AD – entered in the Central Pledges Register.

2. Towards "DSK Bank" EAD

2.1 Contract for a credit № 716/2008, concluded on 18.09.2008 for the amount of EUR 4 500 000 (four millions and five hundred thousand euro) to finance/refinance an investment project for construction of residential hotel in Borovets Resort.

- Deed of incorporation of mortgage contract from 26.09.2008, № 81, vol. VA, reg. № 7186, case № 846/2008 of a notary Borislav Mehandgiiski, collateral of bank credit № 716/2008, concluded on 18.09.2008, including land property and a building right;
- Deed of incorporation of mortgage contract from 28.10.2009, № 154, vol. VI, reg. № 3867, case № 1102/2009 of a notary Gergana Nedina, collateral of bank credit № 716/2008, concluded on 18.09.2008, Annex №1 from 29.01.2009 and Annex № 2 from 17.09.2009, including retail stores, located in Marina Cape Complex, Aheloy Town, Pomorie Municipality, Bourgas Province.
- Pledge contract on receivables from contracts for sale of real estate properties, described in detail in an enclosure to the Loan contract № 716 concluded on 19.09.2008, entered in the Central Pledges Register on 14.10.2009.

2.2. Contract for a credit № 717/2008, concluded on 18.09.2008 for the amount of EUR 500 000 (five hundred thousand euro) to finance due VAT in the period of construction of residential hotel in Borovets Resort.

- Deed of incorporation of mortgage contract from 26.09.2008, № 82, vol. VA, reg. № 7189, case № 847/2008 of a notary Borislav Mehandgiiski, collateral of bank credit № 716/2008, concluded on 18.09.2008, including land property and building right;
- Pledge contract on receivables from contracts for sale of real estate properties, described in detail in an enclosure to the Loan contract № 717 concluded on 19.09.2008, entered in the Central Pledges Register on 14.10.2009.

3. Towards „Central Cooperative Bank" AD:

3.1. Contract for a bank credit № 42317KR-AA-1505, concluded on 02.10.2009 for the amount of EUR 500 000 (five hundred thousand euro) to finance activities of the Company:

- Deed of incorporation of mortgage contract from 02.10.2009, № 58, vol. VI, reg. № 3564, case № 1013/2009 of a notary Gergana Nedina, collateral of bank credit № 42317KR-AA-1505, concluded on 02.10.2009, including commercial properties in Marina Cape Complex, Aheloy Town, Pomorie Municipality, Bourgas Province.

8 Intangible non-current 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

	License '000 BGN	Total '000 BGN
Carrying value		
Balance at January 01, 2012	3	3
Newly acquired assets	-	-
Written-off assets	-	-
Balance at December 31, 2012	**3**	**3**
Depreciation and impairment		
Balance at January 01, 2012	(2)	(2)
Written-off assets	-	-
Depreciation	(1)	(1)
Balance at December 31, 2012	**(3)**	**(3)**
Book value at December 31, 2012	**-**	**-**

Intangible assets

	License '000 BGN	Total '000 BGN
Carrying value		
Balance at January 01, 2011	3	3
Newly acquired assets	-	-
Written-off assets	-	-
Balance at December 31, 2011	**3**	**3**
Depreciation and impairment		
Balance at January 01, 2011	(2)	(2)
Written-off assets	-	-
Depreciation	-	-
Balance at December 31, 2011	**(2)**	**(2)**
Book value at December 31, 2011	**1**	**1**

9 Investments in subsidiaries

The financial assets of the Company are comprised only of its investment in the servicing subsidiary "Marina Cape Management" EOOD (MCM).

Name of the subsidiary	**31.12.2012 '000 BGN**	**% ownership**	**31.12.2011 '000 BGN**	**% ownership**
Marina Cape Management EOOD	5	100	5	100
Total	**5**		**5**	

The financial information for the subsidiary company – "Marina Cape Management" EOOD could be presented as it follows:

	31.12.2012 '000 BGN	**31.12.2011 '000 BGN**
Assets	3 793	3 263

Liabilities	4 150	3 719
Revenues	2 363	2 378

10 Work in progress

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

Work in progress	**31.12.2012 '000 BGN**	**31.12.2011 '000 BGN**
"Marina Cape" project*	1 104	1 170
"Borovets Grand" project	7 243	7 525
Total:	**8 347**	**8 695**

As of 31.12.2012 the Company accounts as "work-in-progress" only the project "Borovets Grand" in the complex Borovets. Due to the completion of the construction works in Zone 4 in the vacation complex "Marina Cape" and the conclusion of the completion works on all the rest properties in the project, as of 31.12.2012 there are no properties in "Marina Cape" that are reported in the item "work-in-progress". The reported value of BGN 1 104 thousands (for 2011 BGN 1 170 thousand) represents expenses for property sales – brokerage commissions and advertising expenses for the real estate properties in the "Marina Cape" project amounting to BGN 843 thousand (BGN 909 thousand in 2011), 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), and BGN 261 thousand (BGN 261 thousand in 2011) which are reported as work in progress, representing equipment bought for the restaurants on site.

11 Trade receivables – advance payments to suppliers, receivables from customers

The more significant receivables from customers are reported in the following table, incl. receivables from related parties:

Receivables from customers	**31.12.2012 '000 BGN**	**31.12.2011 '000 BGN**
A.L. (individual)	189	-
I.M. (individual)	99	-
VEI Project AD	-	1 771
Other	232	718
Impairment	(211)	(211)
Total	**309**	**2 278**

Movement of impartment of trade receivables by periods:

	31.12.2012 '000 BGN	**31.12.2011 '000 BGN**
Balance as of 1st January	**(211)**	**-**
Write-offs (uncollectible)	-	-
Impairment loss	-	(211)

Recovery of impairment loss	-	-
Balance as of 31st December	(211)	(211)

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 "Intercapital Property Development" ADSIC. The book value of the trade receivables is assumed for reasonable approximate estimate of their fair value.

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. The Company`s management does not identify a specific credit risk as much as the trade receivables consist of many different clients.

12 Advances granted

Supplier receivables are presented in the following table:

Supplier receivables	**31.12.2012 BGN '000**	**31.12.2011 BGN '000**
Ventenergy OOD	175	175
Impairment of advance granted to Ventenergy OOD	(44)	(44)
Vetenergy OOD, net of impairment	131	131
Trace Bourgas EOOD	170	170
Impairment of advance granted to Trace Bourgas EOOD	(170)	(85)
Trade Bourgas EOOD, net of imparment	-	**85**
Buildimex OOD	**61**	**61**
Impairment of advance granted to Buildimex OOD	**(61)**	**(61)**
Buildimex OOD, net of imparment	-	-
Others	**57**	**60**
Impairment of others	**(46)**	**(26)**
Others, net of imparment	**11**	**34**
Total	**142**	**250**

Suppliers receivables represent advances paid for the performance of activities related to the landscaping of the Borovets Grand Complex. The receivable from Trace Bourgas EOOD is related to the road connection built at the Marina Cape Complex; the Board of Directors has initiated talks with the Pomorie municipality about the transfer of the said road connection to them.

Movement of impartment of trade receivables by periods:

	31.12.2012 '000 BGN	**31.12.2011 '000 BGN**
Balance as of 1st January	**(216)**	**-**
Write-offs (uncollectible)	-	-
Impairment loss	(105)	(216)

Recovery of impairment loss	-	-
Balance as of 31st December	**(321)**	**(216)**

13 Money

The money of the Company is kept in depository bank – UniCredit Bulbank AD, St. Nedelya Branch. Most of it is in Euro because of the sales` specificity and the clients' structure.

The money includes the following components:

	31.12.2012 '000 BGN	31.12.2011 '000 BGN
Money in cash and in bank accounts:	17	63
• BGN	83	143
1 EUR	**100**	**206**
Total		

14 hareholder's equity

14.1 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.

	31.12.2012 '000 BGN	31.12.2011 '000 BGN
Issued and fully paid shares	6 011476	4 823 627
- at the beginning of the year		1 187 849
- issued during the year	**6 011 476**	**6 011 476**
Total shares, authorized		

14.2 Revaluation reserve of assets

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 perspective of their growth – their yield.

In accordance with the objective of the valuations as the most approximate approach of calculating the market value is adopted the market approach. In that case the price of the property is formed on the base of research of realized deals on the market with comparable real estate. The market approach looks for the supposed market price of properties that are similar in quality to the valuated one.

When calculating the market value of the property is used information about three properties similar to the valuated one. These properties have to in the same location and also it is need to there are 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 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., the result of which is reported in the annual financial statements of the Company.

15 Liabilities to financial institutions

	31.12.2012 '000 BGN	31.12.2011 '000 BGN
Bonds		
Incl. long-term liabilities	-	6 845
Incl. short-term (up to 1 year) liabilities	6 929	978
Total	**6 929**	**7 823**
Bank Loans		
Incl. long-term liabilities	3 041	11 995
Incl. short-term (up to 1 year) liabilities	25 592	15 700
Total	**28 633**	**27 695**

The next table presents the loans received by the Company from financial institutions divided by liabilities as of 31.12.2012 according to the obligation's maturity.

Name of the credit institution	Short-term obligation in EUR	Long-term obligation in EUR	Maturity
DSK EAD	3 951 790.00	-	24.07.2012
PIRAEUS BANK AD	2 535 183.41	-	28.02.2013
PIRAEUS BANK AD	2 562 682.18	-	28.02.2013
PIRAEUS BANK AD	1 576 313.38	1 554 867.00	30.10.2015

The next table presents the loans received by the Company from financial institutions divided by liabilities as of 31.12.2011 according to the obligation's maturity.

Name of the credit institution	Short-term obligation in EUR	Long-term obligation in EUR	Maturity
DSK EAD	3 951 790.00	-	24.07.2012
PIRAEUS BANK AD	659 998.00	1 902 682.17	28.02.2013
PIRAEUS BANK AD	660 000.00	1 875 185.53	28.02.2013
PIRAEUS BANK AD	881 889.47	2 355 000.00	30.10.2015
CB CCB AD	163 125.00	-	02.09.2012

The main details of the Company`s credits are presented in the following table:

Name of the credit institution	Interest rate	Maturity	Currency of the payments
DSK EAD	3M Euribor + 8%	24.07.2012	Euro

PIRAEUS BANK AD	3M Euribor + 7%	28.02.2013	Euro
PIRAEUS BANK AD	3M Euribor + 7%	28.02.2013	Euro
PIRAEUS BANK AD	3M Euribor + 7%	30.10.2015	Euro

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 will 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 should be paid at the end of the period, and the interests were paid semi-annually. The coupon was 9%. The Company`s total expenditure was estimated to about 10,2% annually. The initial maturity date of the issue was August 14, 2010.

On August 6, 2010 a 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. Repayment of the principal:

2010		2011		2012		2013	
Date	Amount (EUR)	Date	Amount (EUR)	Date	Amount (EUR)	Date	Amount (EUR)
14.08.	500 000	14.02.	125 000	14.02.	125 000	14.02.	125 000
		14.05.	125 000	14.05.	125 000	14.05.	125 000
		14.08.	125 000	14.08.	125 000	14.08.	3 250 000
		14.11.	125 000	14.11.	125 000		

3.2. Maturity dates of interest payments in the extended period:

Date of interest payment	Days in interest period	Days	Interest rate	Amount of due interest (EUR)
14.11.2010	92	365	9.5%	107 753
14.02.2011	92	365	9.5%	107 753
14.05.2011	89	365	9.5%	101 344
14.08.2011	92	365	9.5%	101 767
14.11.2011	92	365	9.5%	98 774
14.02.2012	92	366	9.5%	95 519
14.05.2012	90	366	9.5%	90 523
14.08.2012	92	366	9.5%	89 549
14.11.2012	92	366	9.5%	86 564

14.02.2013	92	365	9.5%	83 808
14.05.2013	89	365	9.5%	78 180
14.08.2013	92	365	9.5%	77 822

4. ICPD shall establish the following collateral for the bond issue:

4.1. Collateral under Art. 100z, par. 1 of the Law on the Public Offering of Securities: from Euroins Insurance AD, covering the risk of default by the issuer for the interest or the principal payments for the new term of the issue;

4.2. Additional collateral: Establishing a second mortgage on 7 835,99 m^2 of commercial properties in the vacation complex “Marina Cape”, Aheloy (described in an annex to the written materials) in favor of the trustee of the bondholders "Investbank” AD within no later than one month after the date of the General meeting of the bondholders.

Prepayment:
The Company has the right to repay early all or part of the outstanding principal on the bonds. Repayment may be made only on interest payment date and after providing one month's notice to the bondholders. The minimum amount that the company could repay early and partially is 250 000 EUR or 5% of the initial amount of issue.

In fulfillment of its obligations regarding the renegotiation of the bond for collateral of the bondholders' receivables in favor of the trustee bank on the bond issue - "Investbank” AD is established second mortgage on 24 (twenty four) independent retail stores with total area of 7 835,99 m^2 owned by the Company located in the complex "Marina Cape” Aheloy, Pomorie Municipality Bourgas Province. The mortgage contract was concluded under the Deed of incorporation of contractual mortgage on 01.09.2010, № 158, Vol. IV, reg.№ 3289, case № 732/2010 of a notary Gergana Nedina.

In addition, with regard to the signing of insurance policy with Euroins AD, covering the risk of default by the Company for interest or principal payments for the new date of the issue, and to ensure the receivable of Euroins AD from Intercapital Property Development ADSIC in the amount of 84 000 EUR, representing part of the premium due under the insurance policy of 104 000 EUR, in favor of Euroins AD was established a mortgage on 2 separate objects, with total area of 108.65 m^2 owned by the Company located in the complex "Marina Cape” Aheloy, Pomorie Municipality Bourgas Province. The mortgage contract was concluded under the Deed of incorporation of contractual mortgage on 09.08.2010, № 81, Vol. IV, registration № 2884, case № 656/2010 of a notary Gergana Nedina.

16 Trade payables

The next table represents the most significant obligations of ICPD ADSIC as of 31.12.2011.

	31.12.2012 '000 BGN	31.12.2011 '000 BGN
Midia AD	2 174	2 174
VEI Project AD	1 647	2 347
Telelink AD	498	547
IP Intercapital Markets AD	198	97
Delta Capital International	75	125
Water Supply and Sewage EAD, Bourgas	52	15
BTC AD	42	28

Intercapital Solicitors OOD	27	27
Nikmar-61 OOD	20	24
Ventenergy OOD	11	31
Other	709	732
Total	**5 453**	**6 147**

These liabilities have arisen in relation to concluded contracts for construction of the "Marina Cape" project – a complex of residential buildings for seasonal usage and for the "Borovets Grand" project. The repayment amounts will be finalized in the end of 2013.

The most significant obligation is to the main constructor "Midia" AD. The obligations toward Intercapital Solicitors OOD are due to transferred receivables (through cessions) from Company to the former one.

Except the obligations to the construction company, which represent the greatest part of all liabilities of ICPD, the Company has obligations due to received advance payments from clients to whom the Company shall render ready apartments according to the specific terms agreed.

17 Advances received from Clients

Client Payables include

Trade accounts payable (to clients)	**31.12.2012 '000 BGN**	**31.12.2011 '000 BGN**
Foreign individuals	5 375	5 071
Guarantee deposits from clients under contracts	2 876	2 968
Midia AD	481	481
Dao OOD	82	36
Vila OOD	77	62
RIK MT OOD	5	5
Dao Real EOOD	3	3
Total	**8 899**	**8 626**

18 Tax payables

	31.12.2012 '000 BGN	**31.12.2011 '000 BGN**
VAT for payment	567	361
Amounts due under personal taxes law	2	-
Total	**569**	**361**

19 Amounts due to the staff and social security entities.

	31.12.2012 '000 BGN	**31.12.2011 '000 BGN**
Salaries Due	20	20
Social contributions due	2	3

Total	22	23

20 Other Liabilities

	31.12.2012 '000 BGN	31.12.2011 '000 BGN
Penalty for unpaid obligations to VAT payment	56	-
Technos OOD	31	31
Titan Bulgaria OOD – penalty	17	83
IP Intercapital Markets AD	-	1 495
Total	**104**	**1 609**

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 wells as to advise ICPD in the preparation of prospectuses for public offering of securities and to cooperate in the organization and the realization of public issues of securities and etc.

21 Sales Revenues

Sales revenues include:

	31.12.2012 '000 BGN	31.12.2011 '000 BGN
Sale of investment properties	1 742	4 152
Management of investment properties	413	510
Total	**2 155**	**4 662**

22 Other revenue

Other revenue includes:

	31.12.2012 '000 BGN	31.12.2011 '000 BGN
Written-off liabilities	1 495	-
Others	260	4
Total	**1 755**	4

23 Expenses for materials

Expenses for materials include:

	31.12.2012 '000 BGN	31.12.2011 '000 BGN
Expenses for electricity and heat	(47)	(32)
Other	(6)	(3)
Total	**(53)**	**(35)**

24 Expenses for external services

Expenses for eternal services include:

	31.12.2012 '000 BGN	31.12.2011 '000 BGN
Maintenance and management services	(585)	(640)
Fees and other services	(208)	(465)
Consulting expenses	(197)	(363)
Advertisement	(42)	(22)
Sales expenses – brokerage commissions	(31)	(221)
Rent	(29)	(37)
Telecommunications services	(29)	(42)
Other	(113)	(26)
Total	**(1 234)**	**(1 816)**

25 Expenses for salaries and social security contributions

The salary expenses include:

	31.12.2012 '000 BGN	31.12.2011 '000 BGN
Expenses for salaries	(143)	(144)
Expenses for social security contributions	(15)	(14)
Total	**(158)**	**(158)**

26 Other expenses

Other expenses include:

	31.12.2012 '000 BGN	31.12.2011 '000 BGN
Impairment of work in progress	(281)	(973)
Impairment of advances granted	(105)	(216)
Impairment of trade receivables	-	(211)
Penalty for unpaid obligations to VAT payment	(56)	-
Other	(13)	(29)
Total	**(455)**	**(1 429)**

27 Book value of assets sold

In the item "Book value of sold assets" the Company records the book value of the alienated investment properties.

The investment property could be written off in case of a sale or in case of an establishment of a right to use in favor of third party. The Company applies the IAS 18 for revenue recognition from sale of goods or uses the Appendix to IAS 18.

Book value of sold assets (incl. investment property)	**31.12.2012 '000 BGN**	**31.12.2011 '000 BGN**
Commercial properties	-	-
Residential properties	(2 175)	(5 638)
Total	**(2 175)**	**(5 638)**

28 Financial expenses and financial income

The financial expenses for the presented periods include the following elements:

	31.12.2012 '000 BGN	**31.12.2011 '000 BGN**
Interest proceeds	-	5
Interest expenses on bank loans	(2 566)	(2 958)
Interest expenses on bonds	(704)	(904)
Other expenses	-	(1)
Losses from foreign exchange operations	(2)	(5)
Other financial expenses (fees on renegotiation of bank loans and forfeits	(173)	(375)
Total financial expenses/income	**(3 445)**	**(4 238)**

29 Changes in the fair value of investment properties

The negative changes in the valuation of the investment properties in 2012 amounts to BGN 706 thousand. There is no positive revaluation of the investment properties reported. The positive revaluation of investment properties for 2011 amounted to 1 thousand BGN, and negative ones were in the amount of BGN 1 558 thousand. The total net revaluations in 2011 amounted to BGN 1 557 thousand.

30 Tax expenses

The Company's financial result is not subject to taxation with a corporate tax in compliance with Art.175 of the Corporate Income Tax Law.

31 Per share Profit/Loss

The basic and diluted profit / loss per share are calculated using the net profit / loss subject to distribution among Company shareholders.

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

	2012 BGN	**2011 BGN**
Profit / (Loss) for distribution (in BGN '000)	(4 440)	(10 442)
Weighted average number of shares (in '000)	6 011	6 011
Basic profit / (loss) per share (in BGN)	**(0.74)**	**(1.74)**

For the purpose of dividend distribution the financial results are converted in accordance with Section 5.13 of the accounting policies.

32 Transactions with related parties

The Company`s related parties are the Company`s shareholders, the key management personnel and other related parties which are described bellow.

Unless otherwise stated, the transactions with related parties are carried out under no special conditions. They have neither received nor have given any guarantees.

32.1 Transactions with subsidiaries:

	31.12.2012 '000 BGN	31.12.2011 '000 BGN
Sale of goods and services		
- sale of services to "Marina Cape Management" EOOD	496	1 449
Purchase of goods and services		
- purchase of services from "Marina Cape Management" EOOD	702	572

32.2 Related party balances at year end:

Receivables from subsidiaries	31.12.2012 '000 BGN	31.12.2011 '000 BGN
Current:		
Marina Cape Management EOOD	1 251	1 449
Total current receivables from related parties	**1 251**	**1 449**

The receivable of ICPD from its subsidiary Marina Cape Management EOOD in the amount of BGN 1 251 thousand as of the end of 2012 comes from transactions for the management, maintenance and rent of real estate, as follows:

- Services according to contract for management and maintenance – BGN 331 thousand;
- Rent of commercial properties – BGN 920 thousand.

The receivable of ICPD from its subsidiary Marina Cape Management EOOD in the amount of BGN 1,449 thousand as of 31.12.2011 is due to transactions related to management and maintenance: services

Liabilities to subsidiaries	31.12.2012 '000 BGN	31.12.2011 '000 BGN
Current:		
Marina Cape Management EOOD	988	572
Total current liabilities to subsidiaries	**988**	**572**

33 Risk management policy and objectives

The company regularly analyzes the liquidity of assets and liabilities.
(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 EUR. On the other hand all earnings are negotiated in EUR. In a currency board and fixed exchange rate of the lev against the euro, currency risk for the company virtually gone.

The Company is exposed to a currency risk in the transactions with financial assets denominated in a foreign currency.
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 on 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 company is not to have substantial operations and do not maintain open positions in foreign currencies other than Euro.
Financial assets and liabilities denominated in foreign currency and converted to BGN as at the end of the reporting period are presented below:

31st December 2012	**Exposure to short-term risk**	**Exposure to long-term risk**
	'000 BGN	**'000 BGN**
Financial assets – trade receivables	309	-
Financial assets – cash	83	-
Financial liabilities – trade payables	(541)	-
Financial liabilities – bank and bond loans	(32 792)	(3 041)
Total risk exposure	**(32 941)**	**(3 041)**

31st December 2011	**Exposure to short-term risk**	**Exposure to long-term risk**
	'000 AB	**'000 AB**
Financial assets – trade receivables	2 278	-
Financial assets – cash	143	-
(-) Currency risk – continuation		
Financial liabilities – trade payables	(561)	-
Financial liabilities – bank and bond loans	(16 678)	(18 840)
Total risk exposure	**(14 818)**	**(18 840)**

(-) Price risk. The risk of increase in inflation is associated with reduction of real purchasing power of economic actors and the possible impairment of assets denominated in local currency. The currency board controls money supply, but external factors (e.g. rising oil prices) could put a pressure on upward price levels. After accession to the EU there is pressure on the convergence of price levels to those of other EU countries, i.e. inflation in the country is higher than the average rate of inflation in the Member States of the EU. At present and in general the mechanism of the currency board provides assurance that inflation will remain under control and there will be no adverse impact on the economy, and particularly on the Company.

The Company may be exposed to risks of rising prices of some individual commodities, materials and services related to the activity and the risk of lowering the price of owned properties.

- Risk of rising price of land property. Parcels of landed properties are a major "staples" used in the Company for the construction of real estate. Significant increases in land prices could reduce the profits of the Company and opportunities to pursue business. The possibility of loss is eliminated from the policy of the Company, under which property is sold (in advance) only after the landed property or the right to build on it be purchased or agreed (in the case of the provision of compensation).
- Risk of lower real estate prices. Evolution of market prices of real estate and specifically the assets owned by the Company changes their net value and net asset value per share. The reduction in market prices of real estate and the income from them would reduce revenues, respectively would reduce the Company's financial results, of which 90% is distributed as a dividend.

The financial crisis in Bulgaria led to a sharp decrease of the economic activity, a drop in foreign investments, an increase in the jobless rate and a credit crunch. This has a strong negative effect on the real estate sector leading to a sharp drop in demand, price levels and activity. A large number of developers and construction companies had to face the challenges of shutting down their operations or even falling into bankruptcy which had a negative effect on the employment in the sector. In spite of the timid signs of improvement in certain sectors of the economy already visible from the middle of 2011, experts have much more cautious forecasts regarding the real estate sector and do not expect 2012 to be significantly better than 2011. During the last year at least it became clear that there is a market both for sellers and for buyers. For 2012 most experts expect this situation to remain unchanged. In spite of the numerous hurdles to the rapid recovery in the property development and construction sectors currently a certain stabilization of the market could be noticed in parallel with the increasing activity on behalf of banks in terms of mortgage lending. The Company is exposed to a risk of lower real estate prices from the time it incures any expenses related to their construction to the moment of their sale. The Company aims to mitigate that risk by incurring construction expenses (including purchase of land plots) only when there is actual market demand for the specific properties to be built and offered for sale.

- Risk of changes in other prices related to the construction. Most of the prices of materials and services related to construction are changing in the same direction with the change in prices of “output products” - real estate. This is because on them the greatest impact is demand from contractors in the local market. One major exception to this rule is the price of steel. It affects much more than world prices rather than local factors. Because of that reason it could be lead to a situation in which steel prices are rising while output prices are not changed or decreased. Bulgarian economy in recent years shows an increasingly strong correlation with the EU economies. In particular, global financial and economic crisis affecting almost equally and simultaneously (with a difference of several months) of global property markets and the market in Bulgaria. We expect prices of construction materials and services to run in parallel with the percentage movement of property prices.

(-) Risks associated with increased competition. Following the significant growth of the Bulgarian property market in recent years before the global financial crisis in the sector have entered many new players, including many foreign investors. As a result, we have witnessed increasing competition among construction companies, real estate companies with special investment purpose, commercial banks, individuals and others. This reflects the investment costs of the

Company and may reduce the attractiveness of investments in securities of Intercapital Property Development ADSIC.

As a result of the current global financial situation, development of the real estate market has made a significant change that began during the last months of 2008.

During 2009, and up to the middle of 2010 this trend is strengthened because of continuing restrictions on funding for both sides - investors and buyers. A significant number of projects dropped due to financial crisis, most of them in the capital - projects with office space of approximately 850 000 m2. The global slowdown in the real estate sector carried over its negative impact on Bulgaria. One trend is the withdrawal of higher risk foreign investors from the Bulgarian market and the introduction of more conservative German and Austrian companies and funds.

In the current conditions of timid and slow recovery from the economic crisis and of increased competition, the Company is looking to find still undervalued sectors or market niches where it could achieve a profitability that is higher than the sector average. In addition the Company is adding other value added services to its clients including the possibility of a delayed payment up to 5 years.

(b) Interest rate risk of cash flow and fair value

The Company 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 Company will seek to finance these assets in debt instruments, which also be fixed rate. Where this is not possible or not favorable to the company, 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 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 2012 most of the obligations of the Company are floating rate based on EURIBOR. In this connection, the company is at risk from rising interest rates in the Eurozone. Since much of the debts of the company are long term, the governing body intends to purchase futures on EURIBOR, to neutralize the risk of increased interest on borrowings, considering the fact that with the overcoming the financial crisis, the Eurozone countries will begin to withdraw stimulus measures of their economies, including raising key interest rates, which will directly affect the level of EURIBOR.

It should be noted that any increase in market interest rates are likely to adversely affect the prices and demand for real estate, since most of these transactions financed by loans.

The sensitivity to 1% changes in interest rates on the bank loans of the Company is presented below:

31st December 2012	**Exposure to short-term risk**	**Exposure to long-term risk**
	'000 BGN	**'000 BGN**
Financial liabilities – bank loans	25 863	3 041

Total risk exposure	**25 863**	**3 041**
Effect of change in interest rate		
Increase by 1%	259	30
Decrease by 1%	(259)	(30)

31st December 2011	**Exposure to short-term risk '000 BGN**	**Exposure to long-term risk '000 BGN**
Financial liabilities – bank loans	15 700	11 995
Total risk exposure	**15 700**	**11 995**
Effect of change in interest rate		
Increase by 1%	157	120
Decrease by 1%	(157)	(120)

(c) Credit risk

In its activity the Company may be exposed to credit risk when pays in advance (grant advances) of its suppliers or sales, claims (including the sale of deferred payment). Company policy provides for the avoidance as far as possible advances. 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.

The Company credit risk exposure is limited to the book value of financial assets recognized as at the end of the reporting period, as described below:

	2012 '000 BGN	**2011 '000 BGN**
Book value – Groups of financial assets		
Cash and cash equivalents	100	206
Trade receivables	309	2 278
Receivables from related parties	1 251	1 449
Other receivables	36	29
Total Book value	**1 696**	**3 962**

(d) 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 taking 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.
In the current financial crisis when liquidity risk is becoming more relevant to existing businesses, Intercapital Property Development ADSIC seeks to reduce the negative impact thereof, and because of that it has taken the following measures:

- The Company ensures strict observance of their contracts with financial institutions to exclude the possibility to request early repayment;
- Priority work with financial institutions (banks) in good financial health;
- Optimization of costs, review the investment program;
- Actively seeking buyers for the properties offered by the Company to generate cash and maintain adequate cash.

As at the end of 2012 the terms of the contractual obligations of the Company (including interest payments if applicable) are summarized below:

31st December 2012	**Current**		**Non-Current**	
	Up to 6 months '000 BGN	**From 6 to 12 months '000 BGN.**	**From 1 to 5 years '000 BGN**	**More than 5 years '000 BGN**
Bank loans and bonds	24 871	7 921	3 041	-
Trade and other liabilities, liabilities to related parties	6 489	-	-	-
Total	**31 360**	**7 921**	**3 041**	**-**

The terms of contractual obligation for previous periods are summarized below:

31st December 2011	**Current**		**Non-Current**	
	Up to 6 months '000 BGN	**From 6 to 12 months '000 BGN.**	**From 1 to 5 years '000 BGN**	**More than 5 years '000 BGN**
Bank loans and bonds	8 339	8 339	18 840	-
Trade and other liabilities	8 328	-	-	-
Total	**16 667**	**8 339**	**18 840**	**-**

34 Categories of financial assets and liabilities

Financial Assets	**2012 '000 BGN**	**2011 '000 BGN**
Loans and receivables		
Trade receivables	309	2 278
Receivables from related parties	1 251	1 449
Other receivables	36	29
Cash and cash equivalents	100	206
Total	**1 696**	**3 962**

Financial liabilities	**2012 '000 BGN**	**2011 '000 BGN**
Financial liabilities reported at amortized value		
Non-current liabilities:		
Bank loans and bonds	3 041	18 840
Current liabilities :		
Bank loans and bonds	32 521	16 678
Trade and other payables and payables to related parties	6 489	8 328
Total	**42 051**	**43 846**

35 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 continue to exist in compliance with the going concern principle; and
- to ensure adequate return for the shareholders as determines the price of their products and services in accordance with the level of risk.

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.

36 Events after the end of the reporting period

No adjusting events have occurred between the reporting date and the date of approval for publication.

At the General meeting of bondholders of Interca[ital Property Development ADSIC held on 6th February 2013, a proposal for restructuring of the bonds of the Company was adopted. The proposed agenda is as follows:

Item One:
- Consent to rescheduling and restructuring of the obligations of the issue of corporate bonds with ISIN code BG2100019079, through renegotiation of part of the terms of the issue as follows:

1. Increase the maturity of the issue with 60 months (from 14th August 2013 till 14th August 2018);
2. The schedule for amortization and interest payments are amended as follows:

2.1. The principal is payable in the following installments:

2013		2014		2015		2016		2017		2018	
date	amount (EUR)	date	amount (EUR)	date	amount (EUR)	date	amount (EUR)	date	amount (EUR)	date	amount (EUR)
14.02.	62 500	14.02.	62 500	14.02.	125 000	14.02.	187 500	14.02.	250 000	14.02.	250 000
14.05.	62 500	14.05.	62 500	14.05.	125 000	14.05.	187 500	14.05.	250 000	14.05.	250 000

14.08.	62 500	14.08.	62 500	14.08.	125 000	14.08.	187 500	14.08.	250 000	14.08.	250 000
14.11.	62 500	14.11.	62 500	14.11.	125 000	14.11.	187 500	14.11.	250 000		

2.2. Interest payments on the extended period
- The interest rate on bond after 14.02.2013, is reduced to 7.25% annually, payable every three months on the dates specified in the table given in the invitation;
- Interest payments due after 14.02.2013 till maturity are calculated based on a linear rate of decrease in step 0.25%. The specific amount of the interest payments and the arrangements for implementing steps to reduce the interest rate specified in the invitation and annexed table;

2.3. The issuer reserves the right to early repayment of all or part of the outstanding principal on the bond issue. The repayment can be done only on interest payment date. The minimum amount that can be repaid early and in part to the amount of at least one principal installment due for that period;

3. Principal due and interest payments on the bond issue carried out in the equivalent of the payment at an exchange rate equal to the exchange rate of the National Bank at the date of the General Meeting of Bondholders / EUR 1 = BGN 1.95583 /. When changing this central exchange rate of all payments will be made in euro;
4. Issuer undertakes to open a special checking account at UniCredit Bulbank AD to service payments on the bonds;
5. Collateral issue –in addition to the insurance from "Euro Ins" AD and the second mortgage, the Issuer undertakes to provide new collateral by signing Annex insurance policy with a "Euro Ins" AD, and set up the first mortgage on specified own property in the invitation;
6. Other terms and rates:

6.1. Ratio between equity and secured debt: The Company shall maintain a balance between equity and secured debt, calculated as equity in the balance sheet of the company by the amount of all secured debts in an amount of not less than 0.10 (zero point and ten) until full repayment of the bonds of this issue.

6.2. Maximum ratio of liabilities (liabilities) assets to the balance sheet: The company is required to maintain a maximum ratio of liabilities to assets in the balance sheet amounted to no more than 0.95 (zero point ninety five) until full repayment of the bonds of this issue.

Item Two:
Approval of the decision the General Meeting of Bondholders to delegate and authorize "Intercapital Property Development" ADSIC to take all necessary decisions and actions under changes voted on the bond issue, ISIN BG2100019079.

Additionally, technical corrections to the draft Annex insurance policy with a "Euro Ins" AD (which was part of the materials for the meeting) were made in order to better protect the rights of the bondholders of the Company.

At a meeting of the Board of Directors of BSE-Sofia AD Protocol № 8/11.02.2013, it was decided to change the parameters of the bond issue the company admitted it to Segment of the BSE-Sofia. The changes are in effect on the BSE since 13.02.2013.

According to the General Meeting of 06.02.2013, on 06.03.2013 in front of Zhiva Barantieva – Assistant Notary replacing Gergana Nedina, notary area of operation - the area of the District Court - Pomorie entered in the register of Notary Chamber under № 607 signed a deed of

establishment of a mortgage in favor of "Investbank" AD, in his capacity as representative of the holders of the said bond, the following property owned by "Intercapital Property Development" ADSIC: zoned property ID 00833.5.409, address: Aheloy, Treatment Area, an area 40,002 square meters.
With the establishment of the mortgage "Intercapital Property Development" ADSIC fulfills its obligation to provide collateral on outstanding bond issue in the amount of 3 500 000 EUR (three million five hundred thousand Euros), plus interest due.

The deed was registered in the Registry Agency, Registry Office - Pomorie ref. Reg № 493, № 13 Act, Volume 1, Case № 270 of 06.03.2013

37 Approval of the financial statements

The financial statements as of 31st December 2012 (including the comparable data) have been approved and adopted by the Board of Directors on 29th March 2013.

ANNUAL MANAGEMENT REPORT

of INTERCAPITAL PROPERTY DEVELOPMENT ADSIC

for 2012

29 March 2013

Content of the management report:

I. Presentation on the development of the Company's activities and its condition as well as on its future prospects:

1. Liquidity:
   a) Trends, circumstances, and risks
   b) Investment projects of the Company
   c) Financing of Company operations
2. Capital Resources:
   a) material commitments on capital expenditures as of the end of the last reporting period
   b) significant trents, favorable or not, for the capital resources of the company
   c) expected significant changes in the proportion and relative price of these resources
   3. Performance
   a) unusual or sporadic events
   b) disclosure of changes in the proportion of revenues and expenses
   c) analysis of the effect inflation anf volatile prices have on the main revenues of the Company for the reported period

II. Important events after the annual closure of the Company's accounts

III. Important research and development

IV. Changes in the price of Company's shares

V. Information about the programme for implementation of the internationally recognized standards for good corporate governance under Art.94, para 2, point 3 of the Law on public offering of securities

1. Programme for implementation of the internationally recognized standards for good corporate governance

VI. Additional information under Appendix No. 10 (pursuant to Art. 32, para 1, p. 2, Art. 35, para 1, p. 2, Art. 41, para 1, p. 2 of Ordinance No. 2 from 17.09.2003 on the prospectuses to be published when securities are offered to the public or admitted to trading on a regular market and on disclosure of information by the public companies and the other issuers of securities)

I. Presentation on the development of the company's activity and its condition as well as on its future prospects:

1. Liquidity

a) trends, circumstances and risks

The Company's liquidity depends largely on the timing of the incoming and the outgoing cash flows. The incoming cash flows for the Company may have the following origin:

- from the Company's activity. These are mainly advance or final payments on contracts for sale of real estate property constructed by the Company.
- from financial activity. In case of issuance of securities (equity or debt) or obtaining bank loans.

In 2012, for a sixth consecutive year, the Company has reported revenue from sale of real estate property, i.e. - residential buildings for seasonal use which it has constructed in the "Marina Cape" vacation complex since the end of 2005. The total value of the sold apartments in 2012 is BGN 1 742 thousand which refer to a sold area of 1 127.47 sq.m. (built-up area). In comparison in 2011 the sales of real estate property amount to BGN 2 196 thousand and refer to a sold area of 1 377.73 sq.m. (built-up area). The main reason for the 20% reduction of the net sales and sold areas, respectively, is due to the unfavorable market conditions and reduced demand for vacation properties. Here it has to be noted that since the beginning of 2010, the Company offers the possibility for carrying out the sale of properties on deferred payment terms (within the maximum term of 3 years) and the transfer of the real estate property by a notary deed to the new owner is executed after the full payment of the apartment's purchase price. On the other hand, in compliance with the accounting policy of the Company, the latter reports as revenue the price of only those apartments which are transferred by a notary deed or in full possession. In that way the sales of apartments that were negotiated in the past 2012 shall be reported as revenue most probably within the next 3 years.

In addition, at present the Company has concluded preliminary contracts for sale of apartments with built-up area of 6 837.01 sq.m. in the "Marina Cape" vacation complex and 2 745.33 sq.m. in the "Borovets Grand" vacation complex which is the second investment project of the Company.

After the two extensions of the "Marina Cape" vacation complex and the sales that have been realized up to present, the total area of the residential properties that remain available for sale is 14 505.01 sq.m. (not including the built-up area for which preliminary contracts for sale have been concluded). "Intercapital Property Development" ADSIC is the owner of all commercial, entertainment, administrative and servicing properties on the territory of the complex with total built-up area of around 12 000 sq.m. excluding the commercial properties that were sold to the subsidiary company "Marina Cape Management" EOOD in 2009 with area of 497.62 sq.m. "Intercapital Property Development" ADSIC has sold the SPA centre and Bowling hall in the vacation complex Marina Cape which constitute a build-up area of 987.16 sq.m. However, on 30.12.2011 a contract with the buyer from the previous sentence was concluded, which provides the option for the Company to take back the ownership and right to use of the properties and to make deferred payments as financial leasing for the next 5 years. On 31st January 2013, Intercapital Property Development ADSIC signed an Annex to the contract dated 30.12.2011, according to which the parties agreed that ICPD paid down the outstanding balance of the property price, subject to the contract, which as of 30.01.2013 was in the amount of EUR 841 989.39, incl. VAT under the conditions of deferred payment as follows:

- Interest: 9% annual, which starts to accrue on 01.02.2013;
- Period: 30.09.2016;
- Interest payment: monthly;
- Payment of the outstanding balance of the sale price: payment on 90 equal installments from January 2016 till September 2016.

The "Borovets Grand" vacation complex is a project in a process of construction with built-up area of 10 000 sq.m. which includes residential areas – 5 175 sq.m., commercial areas – 3 140 sq.m. and underground garages – 1 685 sq.m.

In 2012, almost all real estate properties have been transferred at prices higher than their costs, but the sale price of some is actually lower compared to the appraisal value provided by an independent appraiser as of 31.12.2011. The difference between the sale price and the appraised value of the residential properties sold is around 16.6%. The reasons for these deviations are different for each real estate sale but can be grouped in the following several classes:

First, due to the unfortunate market conditions and the restricted demand for vacation properties, the Company has been pressured to make discounts in the sale prices of the apartments sold. The discounts vary depending on the negotiated term of payment of the respective property's sale price. Basically, for an immediate and complete payment of the sale price, the Company has announced on its website a discount of 5% but depending on the case, it can reach up to 15%.

Second, during 2012 the Board of Directors has reached an agreement with separate entities for transferring real estate properties instead of paying the liabilities the Company has to them. The agreements have been made with entities which have had long-term contractual relations with the Company and up to this moment have earnestly fulfilled their obligations to Intercapital Property Development ADSIC. With separate decisions, the Board of Directors has approved the sale prices of these properties before their transfer.

In 2012, the book value of the properties sold by "Intercapital Property Development" ADSIC at "Marina Cape" totaled BGN 2 175 thousand. This value represents the revaluation of the investment properties sold on 31.12.2011 determined by a licensed appraiser. Thus, the gross result of the sale of propertis in 2012 was a loss of BGN 433 thousand. If the revaluation made at the end of 2011 is eliminated, the gross result of the sale of the property in 2012 amounts to a profit of BGN 296 thousand.

For obtaining the net result, the cost of brokerage commissions and advertising fees for servicing companies that deal with the management of the holiday complex, as well as other costs that can be attributed to the carrying amount of properties sold should be deducted. For 2012, the cost of brokerage commissions and advertising amounted to BGN 139 thousand.

One of the main reasons for the loss incurred by the Company in 2012 is the fact that after completion of the project "Marina Cape" in August 2010 and the freezing of the "Grand Borovets" in January 2010, all interest expenses on bank loans and bonds are directly reported as an expense for the period, instead of being capitalized in the cost of constructed properties. For these reasons, interest expense amounting to a total of BGN 3 270 thousand was reported as a direct expense in 2012. The Company believes that the increase in nominal property prices for a long enough period of time, added to the revenues from exploitation of these properties should offset the cost of interest paid on the financing of the property, even if price increases have affected of specific market conditions in a given year.

In addition, in 2012 the Company made "Other financial expenses" in the amount of BGN 173 thousand. By and large, they are the service charges of bank loans, which are also directly reported as an expense for the period.

In 2012 "Intercapital Property Development" ADSIC for a forth consecutive year has reported revenue on a non-consolidated basis from the exploitation of the investment properties in the complex (incl. commercial and residential areas). This activity is executed by the subsidiary company "Marina Cape Management" EOOD. Pursuant to the contract concluded between the parent company (ICPD) and the subsidiary, "Intercapital Property Development" ADSIC receives 70% of the profit realized from the commercial and residential properties which "Marina Cape Management" EOOD operates directly. For the year 2012 that revenue is in the amount of BGN 413 thousand and is formed as follows: BGN 177 thousand from operations of commercial areas, BGN 172 thousand from residential property management in vacation complex Marina Cape, BGN 98 thousand are from the management of residential properties, and BGN 138 thousand from renting out warehouses and unused commercial areas.

In 2012, the Company has also reported revenues from written-off payables amounting to BGN 1 755 thousand. Of these, BGN 1 495 thousand are formed during the first quarter of 2012 and represent liabilities to shareholders of the servicing company IP "Intercapital Markets" AD, which were formed in 2007 and reflect the remuneration "Intercapital Property Development" ADSIC owned to IP "Intercapital Markets" AD according to Art. 9 of contract for consultancy services dated 05.04.2005, signed by the parties. On 29.03.2012 an Annex to contract dated 05.04.2005 was signed between the parties was signed by "Intercapital Property Development" ADSIC and IP "Intercapital Markets" AD, by which the parties agree that the remuneration of art. 9 of the contract shall accrue and be due on 01.01.2015. The remuneration of art. 9 of the contract shall be equal to 20% of the difference between the net proceeds from the sale of real estate and their carrying value at the date of acquisition. This expense was recorded as a provision since it was expected that remuneration to be due subject to the overall evaluation of the management of Marina Cape. The amount of the accrual is calculated using largely estimates in its determination. In 2012, an annex to the contract is signed which clears the understanding that the debt is not due. This changes the basis for the calculation of the debt, giving a clear view on the period when charging such obligation should actually start. The reason for this statement is a characteristic of business where transactions and reporting of results takes more time for their completion, and Marina Cape is a turnkey project. It is assumed that 2015 is a reasonable starting point from which to judge a more comprehensive evaluation of the impact of the management of the entire project and the results achieved, and to take into account the effects of the ongoing crisis since 2009 and continuing stagnation in the field of real estate. In accordance with paragraph 34 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" when new information and gaining more experience that change based on initial assumptions about the measurement of the liability requires a change in estimate. The Company has charged off this debt one time, and has not performed an evaluation through the last several periods due to lack of sufficient information on the timing and parameters of assessment of duty.

Other liabilities are written-off in the third quarter of the year and are connected with the breach of customers / counterparties agreements. Initially, these were write-offs were in the amount of BGN 888 thousand. In the fourth quarter of 2012, however, "Intercapital Property Development" ADSIC renegotiated the parameters with some of the contractors (in particular case of preliminary contracts for the sale of real estate) as a result of which the Company had re-classify some of the guarantee deposits as obligations amounting to BGN 628 thousand that in the third quarter have been written off as liabilities.

In the end of 2012, in compliance with the clauses of the current legislation, the Company's investment properties, land, and work-in-progress have been revaluated. The investment properties of the Company include all properties – residential and commercial – in the vacation complex Marina Cape. As a result of the revaluation as of 31.12.2012, the value of the investment properties of the Company has been reduced with BGN 709 thousand compared with their value before the revaluation. The value of the work-in-progress, namely the reported value of the Grant Borovets project, has also been reduced with BGN 281 thousand as a result of the revaluation made by a licensed appraiser. Thus, as a result of the changes in the fair value of the investment properties owned and the work-in-progress, Intercapital Property Development ADSIC reports an additional expense amounting to BGN 990 thousand. The result of the revaluation of the land, owned by the Company, as of 31.12.2011 has been reported as a gain from revaluation land in the Comprehensive Income Statement, amounting to BGN 4 thousand

b) Development of the Company's investment projects

"Marina Cape"

The vacation complex has been fully completed since August 2010, when on 12th August 2010 with certificate No 45 (26 s.) and No 48 (27 s.) sector number 26 and 27 (Zone 4) has been commissioned.

The vacation complex has been exploited during the whole year. In the winter season 2011-2012, 2 of all the 4 restaurants were functioning, as well as the bowling hall, the spa centre, the fitness hall and the squash courts. A minimum of 100 apartments were maintained for letting out to tourists – organized or casual visitors.

During the summer season 2011, the complex was exploited at over 90% capacity (for the apartments that are owned by the Company and for those that are not owned by it but are managed by the subsidiary company "Marina Cape Management" EOOD).

There are regular conference meetings in the complex "Marina Cape". The company plans to actively develop this type of tourism during the current and the following years.

"Borovets Grand"

In May 2008 the Company received the construction permit and started the construction works in the Borovets resort. The company that was chosen to carry out the gross construction is Midia AD. The plot where the project has been constructed is with total area of 6 600 sq.m. The project provides for 10 000 sq.m. built-up area and includes – residential area – 5 175 sq.m., commercial area – 3 140 sq.m. and underground garages – 1 685 sq.m.

In October 2008 the Company received Act 14 and Certificate for completed rough construction for the project in Borovets. As of today the issuance of Act 15 for the outside electric supply of the building project is expected so as to be put into operation and the Company to sign a contract for the sale of the electric post.

During the third quarter of 2010 with regard to an assigned valuation of the executed construction and installation works on the "Borovets Grand" project, some discrepancies were found in the "acts" for the completed construction works, issued by the contractor "Midia" AD. As a result of this report, "Midia" AD and "Intercapital Property Development" ADSIC carried out a comprehensive review of the whole documentation and concluded an agreement reducing the value of the construction works for the "Borovets Grand" project with BGN 1 963 323.50. The quoted amount was deducted from the overall liabilities of "Intercapital Property Development" ADSIC to the construction company "Midia" AD.

The Company's plans about the "Borovets Grand" project were it to be finished with the funds from the capital increase procedure that was carried out in July-August 2010. The amount raised however fell short of the total funds needed to complete the complex.

On 14.01.2011 the Board of Directors of Intercapital Property Development ADSIC took a decision for a new capital increase of the Company through the issuance of 9 017 214 new ordinary shares with issue value BGN 2.30 per share. The first and foremost purpose of the forthcoming capital increase is again the accumulation of funds for the completion of the "Borovets Grand" project. However, due to the great fluctuations on the capital markets in 2011, the Board of Directors had to postpone the capital increase.

The Company has not transferred any property rights from the "Borovets Grand" project, i.e. the whole complex is property of "Intercapital Property Development" ADSIC. At present, despite the fact that the complex has not been entirely completed, 31 preliminary contracts for sale of 31 apartments in the complex with total built-up area of 2 745.33 sq.m. have been concluded.

On 06th June 2011, the Board of Directors has taken a decision for starting negotiations for the sale of the real estate and the built hotel apartment complex "Grand Borovets" of the Company for a starting price not lower than € 5 000 000.

In connection with this, several publications of an add for sale were made in few national daily newspapers in Bulgaria, as well as in the newspaper "Vedomosti" in Russia. In addition, the Company has presented projects for sale to brokers in the Arab countries, Russia and Kazakhstan.

Parallel to this, the Company is actively searching for a partner who is willing to invest €2 000 000 for finishing the project Grand Borovets in order to make the complex function as a hotel. In conjunction, in 2011, the Company has established contacts and negotiated with several international hotel chains.

The Company has not transferred ownership rights of any of the properties of the Grand Borovets complex, aka the whole complex is owned by "Intercapital Property Development" ADSIC. As of this moment, although the complex in not entirely finished, there are 31 preliminary contracts for sale of 31 apartments of the complex with a total build-up area of 2 745.33 sq.m.

c) Financing of Company's operations

In 2012, the Company has not used any new bank loans and has paid principal values outstanding amounting to BGN 557 thousand. Following the decision from the General Meeting of bondholders, held on 6th August 2010, when the bond issue of the Company were renegotiated, in 2011 ICPD has repaid principal on its bond issue amounting to BGN 978 thousand.

In 2012, the Company has not raised funds in the form of share capital.

2. Capital resources:

a) Material commitments for capital expenditures as of the end of the last reporting period

With regard to the "Marina Cape" vacation complex the Company does not have material commitments for realization of capital expenditures because for all the residential properties in the complex licenses for use have been issued. I.e. the properties, which are subject to preliminary contracts for sale concluded and with regard to which there have been received advance payments, are ready for use.

With regard to the "Borovets Grand" vacation complex at present the Company has concluded preliminary contracts for sale of around 2 745.33 sq.m. of residential properties pursuant to which the Company is bounded with particular terms and obligations for realization of capital expenses.

As previously mentioned, as of this moment, the construction works on Grand Borovets project have been frozen due to lack of financing. According to the management, the project needs around € 2 500 000, which include expenses for the construction f all facilities in the complex (including water supply, sewerage, electrical installation), setting of flooring, tiling, landscaping, insulation, plaster walls and everything else that is needed for the obtaining of a certificate for commissioning.

b) Indication of significant trends, favorable or not, for the capital resources of the Company

As of this moment, the Company cannot make projections for capital increase through new issuance of shares due to the instability and uncertainty of the capital markets.

c) Indication of the expected significant changes in the ratio and the relative price of these resources

- **Equity**. In 2012, the markets in Eastern Europe showed mixed and generally weaker performance compared to the developed markets in Europe, and especially against the U.S. stock market. The strongest market performers were Turkey, Estonia, Greece and Poland, which realized over 20% return for the year (as Turkey is the leader with 52% yield for the year). Romania ended the year with a growth of 18.7%. Other markets, however, performed significantly worse. Bulgaria registered a growth of 7.25 percent this year, Russia gained 5.2%, and Serbia - 5.0%. The debt crisis in Europe has not grown, though it is a serious concern for investors and has a strong impact on the business climate. Trust in the EU is seriously shaken, and austerity in southern Europe deepened the crisis and led to its transfer to the stable and sustainable economies of the north. The debt crisis in Europe and its effects are the main reasons for the last two years major developed markets outside the U.S. to lag behind the movement of the index S&P500. This trend changed in the second half of 2012, although the sustainability of such reversal depends on the pace of economic restructuring in Europe and smoothing imbalances decades of growth. The picture is similar in the large emerging markets. The Index EEM (MSCI Emerging markets ETF) was trailing behind the U.S. market for quite a while. Since the autumn of 2012, however, this trend has been changing. This gives grounds to predict that in 2013, Europe in general and emerging markets in Europe would perform much better. However, expectations of the management of "Intercapital Property Development" ADSIC are moderately optimistic as the company does not exclude the occurrence of volatility in the markets in the region, mostly associated with the worsening financial condition of individual economies, as currently displayed in Cyprus. Therefore, the Company's management can not predict upcoming procedures for increase in the company's capital.
- **Debt securities**. In 2012 and especially in the second half of the year, European markets for debt securities have increased and systemic risk decreased. Recovery may be associated with the communication of the ECB on the final transactions in the beginning of August 2012, which contributed to the weakening pressure on government bond markets in the Eurozone and reduced uncertainty among market participants. However, indicators of risk remained high. Among other factors, this is due to the sovereign debt and banking crisis, regrouping in risk assessments by investors, financing risk, the potential long-term effects of low interest rates and obstacles to the proper functioning of the market. Corporate issues in the EU as a whole has increased but was focused on high-risk assets. Banks and countries with high risk premiums focused on shorter maturities. In the event that market conditions deteriorate, these issuers may face difficulties in funding and to remain with significant credit risk. The collapse of the unsecured markets during the financial crisis and the initiatives of regulators led market participants to rely more and more on collateral as a means of reducing counterparty risk, which stimulates the demand for it. In 2013-2014, the demand for additional collateral will exceed its additional supply, resulting in

shortages. The management of the Company expects activation in the issuance of new bonds, which is a prerequisite for the observed decrease in the levels of interest rates on deposits in Bulgaria.

- **Bank loans**. While back in 2011 the banking market began to observe some movement, it was more in terms of housing loans, i.e. the buyers and almost negligible in terms of developers. We expect that in 2013 the situation in the credit markets would continue to improve, but the construction contracting sector will likely continue to be not very desirable borrower.

3. Results from the Company's activity

a) Unusual or sporadic events

In the year 2011 there were no unusual or sporadic events for the Company, which have influenced the results from its activity.

b) Disclosure of the change in the ratio between the Company's revenues and expenses

Construction work on the project "Grand Borovets' remained frozen in 2012. It can be revived in providing financing to complete the site. In 2012 the expenses of the project "Marina Cape" were mainly fees for management and maintenance overheads. It is expected that in 2013 the Company will continue to realize revenue from the sale of vacation properties in Marina Cape as well as their management.

c) Analysis of the effects of inflation and the changing prices on the revenue from the Company's main activity for the reporting period

In 2012, the market for vacation marine property was an active, led by the interests of Russian buyers to purchase their own holiday home in a warm and sunny place like Bulgaria. The volume of apartments sold in the third quarter increased by about 30 percent annually with interest focused mainly on the southern coast, but only in Sunny Beach and Pomorie, Ahtopol, Sozopol, Lozenets and other resorts.

According to the real estate agency Bulgarian Properties, in the third quarter of 2012 transactions in the resort Sunny Beach were concluded at an average price of € 490 per sq.m. - These apartments are mostly in the western part of the complex. Sales of apartments in a prestigious location close to the beach were realized at prices between 750 and 850 euros per square meter, while the lowest prices were starting from € 250 per sq.m. for furnished apartments in or near Sunny Beach.

The data show that during the crisis the prices of real estate with higher quality have remained stable. These are apartments on the first or second line finished with quality materials, with geographic location that supposes a nice view and good sight communications in place. That is one of the advantages of the residential complex "Marina Cape" owned by "Intercapital Property Development" ADSIC. Another key factor that puts complex, and the Company, respectively, in a favorable and competitive position compared to many other developers is the fact that demand in the sector is concentrated mainly in search of completed projects (such as those in the holiday complex "Marina Cape") and not in green fields. Launched in 2008, buyers tend to look for properties that are ready for use, due to an unwillingness to take risks of Greenfield investments. In this context and given the current market conditions the Company's projects in holiday complex "Marina Cape" (which is completely finished) can be more profitable than the company's project in the resort "Borovets" (which is under construction).

II. Important events after the annual closure of the Company's accounts

On 3rd January 2013, with entry № 20130103135306 in the electronic file of the Company in the Commercial Register an invitation was announced for convocation of General Meeting of the bondholders of corporate bond issue with ISIN code BG2100019079, issued by ICPD. Based on Art. 214, para 1 of the Commercial Act, the General Meeting of bondholders was convened by the representative of the bondholders Commercial Bank "INVESTBANK" AD and should be held on 16th January 2013 at 11:00 h on address: Sofia, 27 Vasil Levski Blvd., hotel Downtown, the conference hall.

The proposed agenda was as follows:

Item One

Giving consent on rescheduled repayment of the liabilities under the bond issue having ISIN code BG2100019079 through a partial re-negotiation of the terms, as follows:

1. Extension of the term of the issue by 60 months (as from 14 August 2013 until 14 August 2018);

2. The principal repayment schedule is amended as follows:

2.1. Principal (amortisation) payments:

2013		2014		2015		2016		2017		2018	
Date	Amount (EUR)	Date	Amount (EUR)	Date	Amount (EUR)	Date	Amount (EUR)	Date	Amount (EUR)	Date	Amount (EUR)
14.02.	62 500	14.02.	62 500	14.02.	125 000	14.02.	187 500	14.02.	250 000	14.02.	250 000
14.05.	62 500	14.05.	62 500	14.05.	125 000	14.05.	187 500	14.05.	250 000	14.05.	250 000
14.08.	62 500	14.08.	62 500	14.08.	125 000	14.08.	187 500	14.08.	250 000	14.08.	250 000
14.11.	62 500	14.11.	62 500	14.11.	125 000	14.11.	187 500	14.11.	250 000		

2.2. Interest (coupon) payments within the extended term:

- 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;
- 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;

2.3. 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;

3. All due principal and interest payments under the bond issue shall be effected in Bulgarian levs as per the official rate of exchange of the BNB as of the date of performance of the GMB /EUR 1 = BGN 1.95583/. In case that BNB's central exchange rate is changed, all payments shall be effected in Euro;
4. The Issuer shall be obligated to open a special current account at UniCredit Bulbank AD to service the payments under the debenture loan;
5. 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 invitation;
6. Other terms and ratios:

6.1 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.

6.2.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 the amount of not more than 0.95 (zero point ninety five) until the full payment of the bonds of this issue

Item two:

Adoption of a decision, the GMB to assign and respectively authorise Intercapital Property Development REIT to undertake all necessary decisions and actions in pursuance with the voted amendments to the terms and conditions of the bond issue having ISIN code BG2100019079.

Due to lack of a quorum, the General Meeting of the Bondholders of Intercapital Property Development ADSIC has failed to take place on January 16, 2013. Thereby, the GMB was held on January 31, 2013 under the same agenda. However the Company's bondholders did not approve the proposals written in the invitation.

In the meantime on 25th January 2013, with entry № 20130125162118 in the electronic file of the Company in the Commercial Register an invitation was announced for convocation of General Meeting of bondholders of corporate bond issue with ISIN code BG2100019079, issued by ICPD. Based on Art. 214, para 1 of the Commercial Act, the General Meeting of bondholders was convened by the representative of the bondholders Commercial Bank "INVESTBANK" AD and would be held on 6th February 2013 at 11:00 h on address: Sofia, 27 Vasil Levski Blvd., hotel Downtown, the conference hall.

The agenda of the meeting, convened for 06.02.2013 was essentially analogous to the agenda of the meeting that was convened for 16.01.2013, the main difference being some technical corrections made in the draft of the supplement to the insurance policy provided by Euro Ins AD (which was part of the written materials for the meeting) which aimed to provide better protection for the bondholders' rights.

The General meeting of the bondholders of "Intercapital Property Development" ADSIC held on 06.02.2013 approved the proposal and respectively all the suggested terms for renegotiation of the Company's bond loan.

At a session of the Board of Directors of BSE-Sofia held under Record of Proceedings No. 8 of February 11, 2013 there was taken a decision for amendment of the parameters of the Company's bond issue admitted to trading on the Bonds Segment of the BSE Main Market. The amendments were registered as of 13.02.2013.

According to the General Meeting of 06.02.2013, on 06.03.2013 in front of Zhiva Barantieva – Assistant Notary replacing Gergana Nedina, notary area of operation - the area of the District Court - Pomorie entered in the register of Notary Chamber under № 607 signed a deed of establishment of a mortgage in favor of "Investbank" AD, in his capacity as representative of the holders of the said bond, the following property owned by "Intercapital Property Development" ADSIC: zoned property ID 00833.5.409, address: Aheloy, Treatment Area, an area 40,002 square meters.

With the establishment of the mortgage "Intercapital Property Development" ADSIC fulfills its obligation to provide collateral on outstanding bond issue in the amount of 3 500 000 EUR (three million five hundred thousand Euros), plus interest due.

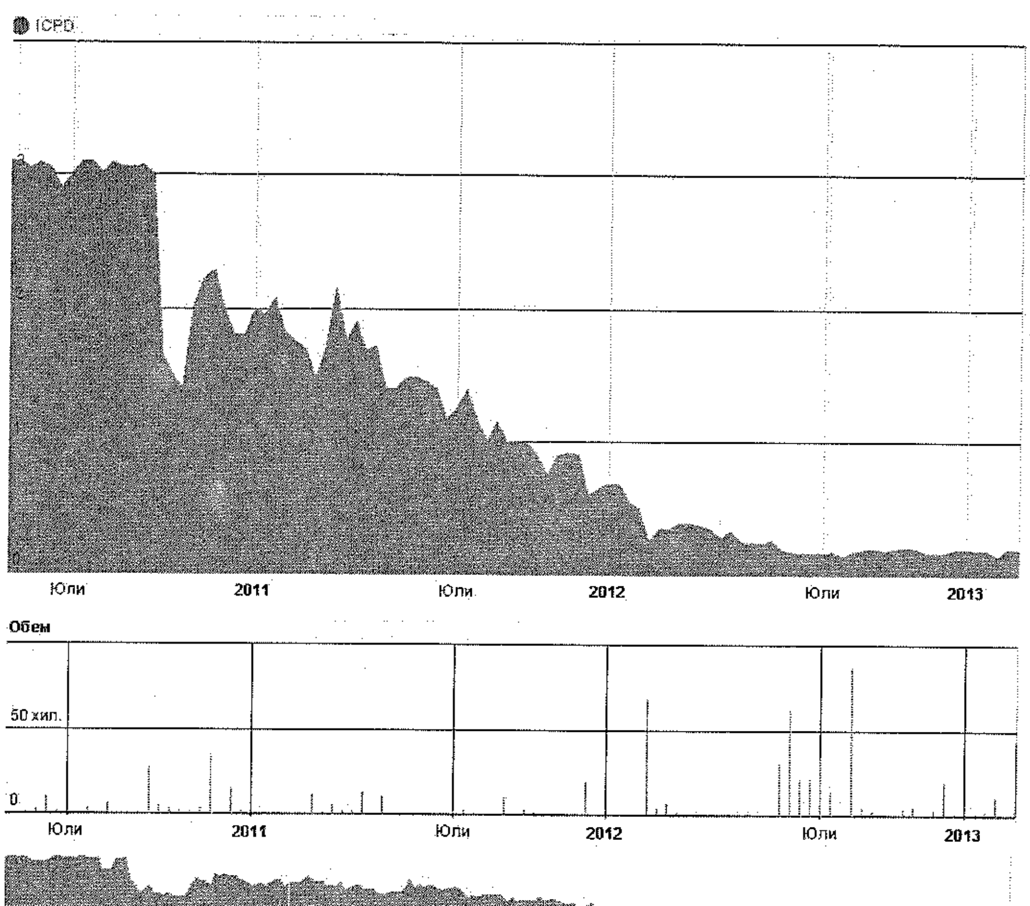
The deed was registered in the Registry Agency, Registry Office - Pomorie ref. Reg № 493, № 13 Act, Volume 1, Case № 270 of 06.03.2013

III. Important research and development

There have not been any important research and development carried out by the Company in 2012.

IV. Changes in the price of the Company's shares

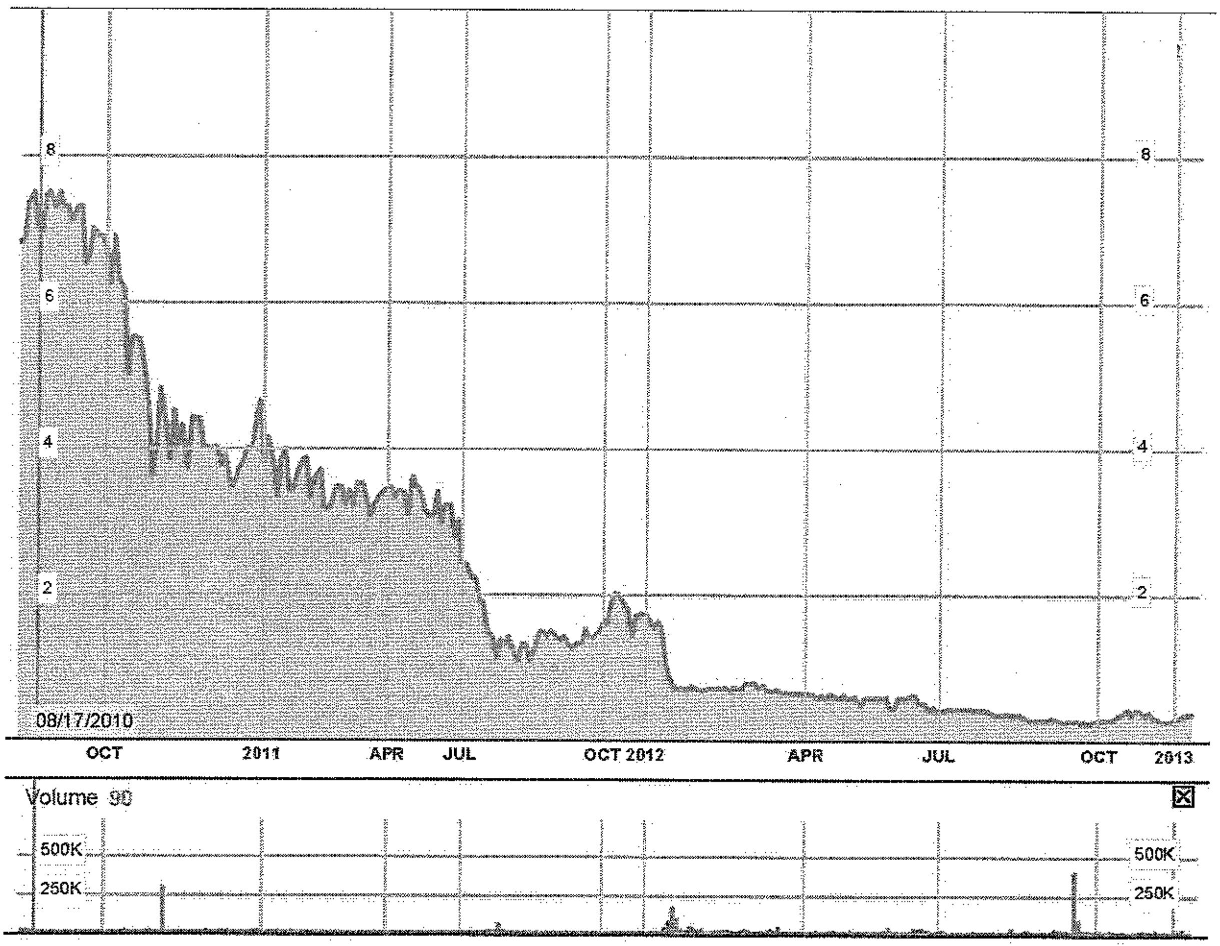
- on the Bulgarian Stock Exchange – Sofia AD (currency - BGN)



Source: www.investor.bg

The shares of the Company have been traded on BSE – Sofia AD since December 05, 2005.

- on the "NewConnect" market, organized by the Warsaw Stock Exchange (currency - PLN)



Source: www.bloomberg.com

The shares of the Company have been traded on the "NewConnect" market since 11 August 2010.

V. Information about the program for implementation of the internationally recognized standards for good corporate governance under Art. 100n, para 4, p. 3 of the Law on the public offering of securities

1. Program for implementation of the internationally recognized standards for good corporate governance

The program for implementation of the internationally recognized standards for good corporate governance of the Company is accepted on March 27, 2006. Since that date up to now the Company has applied all the material aspects of the program.

With resolution of the Board of Directors of "Intercapital Property Development" ADSIC dated 30.03.2011 some amendments in the Program for implementation of the internationally recognized standards for good corporate governance of the Company were accepted which aim to update it with regard to the changes in the legislation regulating the public companies' activity.

VI. Additional information under Appendix No. 10 (pursuant to Art. 32, para 1, p. 2, Art. 35, para 1, p. 2, Art. 41, para 1, p. 2 of Ordinance No. 2 from 17.09.2003 on the prospectuses to be published when securities are offered to the public or admitted to trading on a regular market and on disclosure of information by the public companies and the other issuers of securities)

1. Information given in value or quantitative terms about the main categories of commodities, products and/or provided services, with indication of their share in the revenues from sales of the issuer as a whole and the changes that occurred during the reporting fiscal year

The major revenues from sales of the Company during 2012 are realized from sale of finished goods – residential properties for seasonal use in the "Marina Cape" vacation complex".

Revenues ('000 BGN)	**2012**	**2011**
Net revenues from the sale of:		
1. Finished goods		
2. Goods for sale	1 742	4 152
3. Services	413	510
4. Other	1 755	4
Total:	**3 910**	**4 666**

In 2012, for a forth consecutive year "Intercapital Property Development" ADSIC has reported revenue on a non-consolidated basis from the exploitation of the investment properties in the complex (incl. commercial and residential areas). This activity is executed by the subsidiary company "Marina Cape Management" EOOD. Pursuant to the contract concluded between the parent company (ICPD) and the subsidiary, "Intercapital Property Development" ADSIC receives 70% of the profit realized from the commercial and residential properties which "Marina Cape Management" EOOD operates directly. For the year 2011 that revenue is in the amount of BGN 413 thousand and is formed as follows: BGN 177 thousand from operations of commercial areas, BGN 98 thousand from residential property management in vacation complex Marina Cape, and BGN 138 thousand from renting out warehouses and unused commercial areas.

In 2012, the Company generated revenues and write-offs amounting to BGN 1 755 thousand. Of these, BGN 1 495 thousand are formed during the first quarter of 2012 and represent liabilities to shareholders of the servicing company IP "Intercapital Markets" AD, which were formed in 2007 and reflect the remuneration "Intercapital Property Development" ADSIC owned to IP "Intercapital Markets" AD according to Art. 9 of contract for consultancy services dated 05.04.2005, signed by the parties. On 29.03.2012 an Annex to contract dated 05.04.2005 was signed between the parties was signed by "Intercapital Property Development" ADSIC and IP "Intercapital Markets" AD, by which the parties agree that the remuneration of

Name of the subsidiary company	2012	share	2011	share
	'000 BGN	%	'000 BGN	%
Marina Cape Management EOOD	5	100%	5	100%

As of 31.12.2012 the book value of the land owned by the Company is in the amount of BGN 4 504 thousand, the value of the Company's investment property is BGN 41 987 thousand, and the value of unfinished production (in connection with the construction of residential complex Marina Cape and Grand Borovets) is BGN 8 347 thousand. The book value of the work-in-progress (with regard to the construction of the "Marina Cape" vacation complex) amounts to only BGN 1 104 thousand and represents accumulated expenses for the sale of properties – brokerage commission in the amount of BGN 843 thousand, which would be recognized at the moment of the recognition of the revenue (through final transfer of ownership or right to use), and BGN 261 thousand also depicted as work in progress, which represents purchased equipment for the restaurants on site.

As of the end of 2012 the Company has cash funds and demand deposits in the amount of BGN 100 thousand.

8. Information about the concluded by the issuer, by its subsidiary or parent undertaking, in their capacity of borrowers, loan contracts with indication of the terms and conditions thereof, including the deadlines for repayment as well as information on the provided guarantees and assuming of liabilities

As of 31.12.2012 "Intercapital Property Development" ADSIC has the following obligations to financial institutions:

Bank	Year of the loan	Amount	Outstanding amount as of 31.12.2012	Maturity date
Piraeus Bank Bulgaria AD	2007	EUR 4 500 000	EUR 2 562 619	28.2.2013
Piraeus Bank Bulgaria AD	2008	EUR 3 000 000	EUR 2 535 185	28.2.2013
Bank DSK EAD	2008	EUR 3 500 000	EUR 3 500 000	24.07.2012
Bank DSK EAD	2008	EUR 500 000	EUR 451 790	24.07.2012
Piraeus Bank Bulgaria AD	2009	EUR 3 300 000	EUR 3 131 180	30.10.2015

The loans are guaranteed with assets of the Company as follows:

1. Towards "Piraeus Bank Bulgaria" AD

1.1. Contract for an investment credit № 1236/2007, concluded on 19.10.2007 for the amount of 4 500 000 (four million and five hundred thousand) EUR to finance the construction of a complex of residential buildings for a seasonal use "Marina Cape", Aheloy Town, Pomorie Municipality, Bourgas Province.

- Deed of incorporation of mortgage contract from 08.11.2007, № 112, vol. XII, reg. № 3901, case № 2217/2007 of a notary Hristo Roidev, collateral of bank credit № 1236/2007, concluded on 19.10.2007, including residential properties situated in vacation complex Marina Cape, town of Aheloy, Municipality Pomorie, Bourgas Province.

- Deed of incorporation of mortgage contract from 04.12.2009, № 80, vol. VII, reg. № 4288, case № 1226/2009 of a notary Gergana Nedina, collateral of bank credit № 1236/2007, concluded on 19.10.2007, Annex A1-1236 from 16.01.2009 and Annex A2-1236 from 19.10.2009, including residential properties situated in vacation complex Marina Cape, town of Aheloy, Municipality Pomorie, Bourgas Province;
- Pledge contract on receivables №1236-1/2007, concluded on 23.10.2007, collateral of investment credit № 1236/2007 - Registered pledge on receivables from concluded contracts for sale of detached residential properties in the complex "Marina Cape", described in detail in an enclosure to the contract entered in the Central Pledges Register on 07.11.2007;
- Pledge contract on receivables №1236-2/2007, concluded on 23.10.2007, collateral of investment credit № 1236/2007 – Registered pledge on receivables of cash funds from the special bank account of the company at "Bank Piraeus Bulgaria" AD – entered in the Central Pledges Register on 07.11.2007;
- Pledge contract on receivables №1236-4/ 2009, concluded on 19.10.2009, collateral of investment credit № 1236/2007 - Registered pledge on receivables from concluded contracts for sale of detached residential properties in the complex "Marina Cape", described in detail in an enclosure to the contract entered in the Central Pledges Register on 03.12.2009.

1.2. Contract for an investment credit № 736/2008, concluded on 07.07.2008 for the amount of 3 000 000 (three millions) EUR to finance construction-assembly and finishing works in complex of residential buildings for seasonal use "Marina Cape", Aheloy Town, Pomorie Municipality, Bourgas Province.

- Deed of incorporation of mortgage contract from 09.07.2008, № 35, vol. VIII, reg. № 2387, case № 1404/2008 of a notary Hristo Roidev, collateral of bank credit № 736/2008, concluded on 07.07.2008, including residential properties situated in vacation complex Marina Cape, town of Aheloy, Municipality Pomorie, Bourgas Province.;
- Pledge contract on receivables № 736 – 1/2008, concluded on 07.07.2008, collateral of bank credit № 736/2008 from 07.07.2008 – Registered pledge on receivables from concluded contracts for sale of detached residential properties in the complex "Marina Cape", described in detail in an enclosure to the contract in the Central Pledges Register.
- Pledge contract on receivables № 736 – 2/2008, concluded on 07.07.2008, collateral of bank credit № 736/2008г. от 07.07.2008 г. - Registered pledge on receivables of cash funds from the special bank account of the company at "Bank Piraeus Bulgaria" AD – entered in the Central Pledges Register;
- Pledge contract on furniture and facilities № 736 – 3/2008, concluded on 10.07.2008, collateral of bank credit № 736/2008 from 07.07.2008 – Registered pledge on furniture and facilities of the apartments from Zone 4 in "Marina Cape" Complex, Aheloy Town, Pomorie Municipality;
- Deed of incorporation of mortgage contract from 04.12.2008, № 80, vol. VII, reg. № 4288, case № 1226/2009 of a notary Gergana Nedina, collateral of bank credit № 736/2008, concluded on 07.07.2008, Annex A1-736 from 16.01.2009 and Annex A2-736 from 19.10.2009, including residential properties situated in vacation complex Marina Cape, town of Aheloy, Municipality Pomorie, Bourgas Province.

1.4. Contract for an investment credit № 327/2009, concluded on 14.12.2009 for the amount of 3 300 000 (three millions and three hundred thousand) EUR to finance payments on dividends and finishing works and infrastructure of "Marina Cape" project, Aheloy Town, Pomorie Municipality, Bourgas Province.

- Deed of incorporation of mortgage contract from 21.12.2009, № 162, vol. VII, reg. № 4500, case № 1306/2009 of a notary Gergana Nedina, collateral of bank credit № 327/2009, concluded on 14.12.2009, including residential properties situated in vacation complex Marina Cape, town of Aheloy, Municipality Pomorie, Bourgas Province;
- Pledge contract on receivables № 327-1/2009, concluded on 14.12.2009, collateral of bank credit № 327/2009 от 14.12.2009 - Registered pledge on receivables from concluded contracts for sale of detached residential properties in the complex "Marina Cape", described in detail in an enclosure to the contract in the Central Pledges Register;
- Pledge contract on receivables № 327-4/2009, concluded on 14.12.2009 - Registered pledge on receivables of cash funds from the special bank account of the company at "Bank Piraeus Bulgaria" AD – entered in the Central Pledges Register.

2. Towards "DSK Bank" EAD

2.1 Contract for a credit № 716/2008, concluded on 18.09.2008 for the amount of 4 500 000 (four millions and five hundred thousand) EUR to finance/refinance an investment project for construction of residential hotel in Borovets Resort.

- Deed of incorporation of mortgage contract from 26.09.2008, № 81, vol. VA, reg. № 7186, case № 846/2008 of a notary Borislav Mehandgiiski, collateral of bank credit № 716/2008, concluded on 18.09.2008, including land property No. 65231.918.189 and a building right over 77 (seventy seven) individual properties;
- Deed of incorporation of mortgage contract from 28.10.2009, № 154, vol. VI, reg. № 3867, case № 1102/2009 of a notary Gergana Nedina, collateral of bank credit № 716/2008, concluded on 18.09.2008, Annex №1 from 29.01.2009 and Annex № 2 from 17.09.2009, including commercial properties, located in Marina Cape Complex, Aheloy Town, Pomorie Municipality, Bourgas Province.
- Pledge contract on receivables from contracts for sale of real estate properties, described in detail in an enclosure to the Loan contract № 716 concluded on 19.09.2008, entered in the Central Pledges Register on 14.10.2009.

2.2. Contract for a credit № 717/2008, concluded on 18.09.2008 for the amount of 500 000 (five hundred thousand) EUR to finance due VAT in the period of construction of residential hotel in Borovets Resort.

- Deed of incorporation of mortgage contract from 26.09.2008, № 82, vol. VA, reg. № 7189, case № 847/2008 of a notary Borislav Mehandgiiski, collateral of bank credit № 716/2008, concluded on 18.09.2008, including land property No. 65231.918.189 and a building right over 77 (seventy seven) individual properties;
- Pledge contract on receivables from contracts for sale of real estate properties, described in detail in an enclosure to the Loan contract № 717 concluded on 19.09.2008, entered in the Central Pledges Register on 14.10.2009.

With Annex № 7 to Loan Agreement № 717 and Annex № 6 to Contract № 716 between the company and "DSK Bank" dated 27 February 2012 the gratis period payment of principal on the loan EUR 451 790 is extended from to 24 July 2012 and of principal EUR 3 500 000 the gratis period for payment is 24 July 2012. The deadline for repayment of both loans is 31 July 2012.

9. Information about the concluded by the issuer, by its subsidiary or the parent undertaking, in their capacity of lenders, loan contracts, including the provision of guarantees of any type, including to related persons, with indication of the concrete conditions there under, including the deadlines for repayment and the purpose for which they have been granted

In 2012 "Intercapital Property Development" ADSIC and/or its subsidiary has not concluded loan contracts in the capacity of lenders, including the provision of guarantees of any type, including to related persons.

10. Information on the use of the funds from a new issue of securities carried out during the reported period

In 2012 the Company has not issued any new shares.

11. Analysis of the ratio between the achieved financial results reflected in the financial statement for the fiscal year, and previously published forecasts for these results

The Company does not publish forecasts about its financial results.

12. Analysis and assessment of the policy concerning the management of the financial resources with indication of the possibilities for servicing of the liabilities, eventual jeopardizes and measures which the issuer has undertaken or is to undertake with a view to their removal

According to the decision for restructuring the bond issuance, which was taken on the General Meeting of Bondholders of the Company, held on 06th August 2010, in 2012 the Company has paid the principal on its bond issuance amounting to a total of EUR 500 000, as follows:

On 9 February 2012 "Intercapital Property Development" ADSIC paid out the owed interest as of 14.02.2012 on the corporate bond issue in the amount of EUR 95 519.

On 9 February 2012 "Intercapital Property Development" ADSIC made an amortization payment on its bond issue in the amount of EUR 125 000 that was due as of 14 February 2012. With regard to the delay in the payment of the amortization on the principal the Company paid out to the bondholders interest for the delay for the period between 15 Feb 2012 and 09 March 2012 amounting to EUR 780.82 (i.e. EUR 0.156164 per bond).

On 11 June 2012 "Intercapital Property Development" ADSIC paid out the owed interest as of 14 May 2012 on its corporate bond issue in the amount of EUR 90 523.

On 11 June 2012 the Company made also an amortization payment on its bond issue in the amount of EUR 125 000 that was due as of 14 May 2012. With regard to the delay in the payment of the amortization on the principal the Company paid out to the bondholders interest for the delay for the period between 15 May 2012 and 11 June 2012 amounting to EUR 910.96 (i.e. EUR 0.175204 per bond).

On 10 Sept 2012 "Intercapital Property Development" ADSIC paid out the owed interest as of 14 Aug 2012 on its corporate bond issue in the amount of EUR 89 549.

On 10 Sept 2012 the Company made also an amortization payment on its bond issue in the amount of EUR 125 000 that was due as of 14 Aug 2012. With regard to the delay in the payment of the amortization on the principal the Company paid out to the bondholders interest for the delay for the period between 15 Aug 2012 and 10 Sept 2012 amounting to EUR 876.02 (i.e. EUR 0.182192 per bond).

On 10 Dec 2012 "Intercapital Property Development" ADSIC paid out the owed interest as of 14.11.2012 on its corporate bond issue in the amount of EUR 86 564.

On 10 Dec 2012 the Company made also an amortization payment on its bond issue in the amount of EUR 125 000 that was due as of 14 Nov 2012. With regard to the delay in the payment of the amortization on the principal the Company paid out to the bondholders interest for the delay for the period between 15 Nov 2012 and 10 Dec 2012 amounting to EUR 843.58 (i.e. EUR 0.168716 per bond).

In December 2012 there were undertaken actions for renegotiation of the terms on the Company's bond issue through convocation of a general meeting of the bondholders, including for change of the financial ratios that the Company should be obliged to maintain with regard to the issued bond loan. The proposed amendments regarding the financial ratios were as follows:

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.

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.

The General meeting of the Company's bondholders that was convened for 16.01.2013 was not held due to lack of the necessary quorum. In this regard the General meeting of the bondholders was held on 31.01.2013 under the same agenda. However the Company's bondholders did not approve the proposals written in the invitation.

A new General meeting of the bondholders was held on 06.02.2013 which approved the proposal and respectively the terms for renegotiation of the Company's bond loan, including the amendments regarding the financial ratios that "Intercapital Property Development" ADSIC shall be obliged to maintain. As a result, as of 31.12.2012 the financial ratios of the Company, i.e. the "ratio between equity and secured debt" and the "ratio of liabilities to assets according to their book value" are in compliance with the financial ratios approved by the bondholders on 06.02.2013.

Detailed information on the agenda and the general meetings of bondholders held could be found in section II of the present report.

13. Assessment of the possibilities for realization of the investment intentions, indicating the amount of the available funds and stating the possible changes in the structure of the financing of this activity

Up to this moment, the Company has frozen the construction works on the investment project in Borovets resort due to lack of financing. The Company cannot project when it would be able to secure financial resources for completing the project Grand Borovets because of two reasons. On one hand, up to this date the market conditions for capital increase are still unfavorable. On the other hand, it would be difficult to receive bank financing due to the significant level of debt the company already has.

On 06th June 2011, the Board of Directors has taken a decision for starting negotiations for the sale of the real estate and the built hotel apartment complex "Grand Borovets" of the Company for a starting price not lower than EUR 5 000 000.

In connection with this, several publications of an add for sale were made in few national daily newspapers in Bulgaria, as well as in the newspaper "Vedomosti" in Russia. In addition, the Company has presented projects for sale to brokers in the Arab countries, Russia and Kazakhstan.

Parallel to this, the Company is actively searching for a partner who is willing to invest €2 500 000 for finishing the project Grand Borovets in order to make the complex function as a hotel. In conjunction, in 2012, the Company has established contacts and negotiated with several international hotel chains.

New investment project would be feasible only after an increase in the capital of the Company, which would be possible when the global financial markets are once again stable.

14. Information about occurred during the reporting period changes in the base principles for management of the issuer and its economic group

No such changes have occurred during the reporting period.

15. Information about the main characteristics of the applied by the issuer in the course of preparation of the financial statements internal controls system and risk management system

The financial reports of the Company are prepared in compliance with the International Financial Reporting Standards (IFRS), developed and published by the Council for the International Accounting Standards (CIAS), applicable for the year 2010.

The International Financial Reporting Standards include:
a) The International Accounting Standards
b) The International Standards for the Financial Statements (ISFS)
c) The interpretations of the Standing Interpretations Committee and the interpretations of the Committee for interpretations of the IFRS

16. Information on the changes in the management and supervisory bodies during the reporting fiscal year

On 29 June 2012 the Annual General Meeting of Shareholders was held, at which it was decided to release Nikola Ivanov Standoff as a member of the Board of Directors at his request and to select a new member of the Board – Temenuga Ivanova Ivanova.

Changes are listed in the electronic file of the Company in the Commercial Register of the Registry Agency on the date 10 July 2012.

17. Information on the amount of the remunerations, rewards and/or the benefits of everyone of the members of the management and control bodies for the fiscal year under review, paid by the issuer and its subsidiaries, irrespective of whether they have been included in the issuer's expenses or arise from profit distribution, including:

a) received amounts and non-money remunerations;

b) contingent or deferred remunerations, occurred during the year, even if the remuneration is due at a later time;

c) amount owed by the issuer or its subsidiaries for payment of pensions, compensations at retiring on a pension or other similar compensations

The members of the Board of Directors receive fixed monthly remuneration, determined by the General meeting, which can not exceed 10 minimum monthly salaries. At present the members of the Board of Directors receive monthly remuneration in the amount of BGN 3 100 (three thousand one hundred). The General meeting has adopted a resolution pursuant to which the remuneration of the executive member to be in the amount of 12 minimum monthly salaries.

The members of the Board of Directors of "Intercapital Property Development" ADSIC have received the following remunerations in 2012:

Member of the Board of Directors	**in BGN**
1. Velichko Stoichev Klingov – Executive director	33 933.60
2. Nicolas Ivanov Stancioff – Member*	14 940.00
3. Tsvetelina Chavdarova Hristova – Member	13 544.90
4. Temenuga Ivanova Ivanova – member**	27 813.60

The amounts indicated represent the remunerations paid:

* Nicolas Stacioff has been released as a member of the Board of Directors at his request by the General Meeting of the Shareholders held on 29.06.2012.

** Temenuga Ivanova is elected as a member of the Board of Directors on the same General Meeting. The change is listed in the Commercial Register on 10 July 2012

By a resolution of the General Meeting of the shareholders the members of the Board of Directors can receive bonuses in amount which does not exceed 0.1% of the Company's profit before dividend distribution for each one of the members of the Board but not more than 0.5% for all the members of the Board.

The Company does not owe any other amounts and/or benefits as well as does not allocate or charge amounts to provide for pension benefits or other retirement compensations for the members of the Board of Directors.

The members of the Board of Directors have not received remuneration or compensation from subsidiaries of the issuer and the latter have not allocated or charged amounts for pension benefits and other retirement compensations for the members of the Board of Directors in 2012.

18. For the public companies – information about the owned by the members of the management and of the control bodies, procurators and the senior management shares of the issuer, including the shares held by anyone of them separately or as a percent from the shares of each class, as well as provided to them options on securities of the issuer by the latter – type and amount of the securities over which the options have been set up, price of exercising of the options, purchase price, if any, and term of the options.

As of 31.12.2012 the members of the Board of Directors own shares of the company as follows:

	Number of shares	***% from the capital***
Velichko Klingov*................................	77 111	1.28%

* As of 31 Dec 2012 Velichko Klingov has concluded REPO Contracts with a collateral – shares of "Intercapital Property Development" ADSIC (a total of 41 656 in count), as a seller (borrower) and these shares are part of the ones indicated above.

As of 31.12.2011 the members of the Board of Directors own shares of the company as follows:

	Number of shares	*% from the capital*
Nicolas Stancioff[1]	170 825	2.84 %
Velichko Klingov[2]	57 111	0.95%

1. As of 31.12.2011 Nicolas Stancioff has concluded REPO Contracts with a collateral – shares of "Intercapital Property Development" ADSIC, as a buyer (lender) and as a seller (borrower), whit a net difference in the number of the shares, subject of the Contracts – 120 283 shares which are taken into account in the calculation of the total number of shares providing voting rights to the shareholder stated above.

2. As of 31.12.2011 Velichko Klingov has concluded REPO Contracts with a collateral – shares of "Intercapital Property Development" ADSIC (total number of 41 656 shares), as a seller (borrower) and those shares are part of the total number of shares stated above.

The issuer has not issued options on the securities from the share capital.

19. Information about the known to the company agreements (including also after the fiscal year closing) as a result of which changes may occur at a future time in the owned percent of shares or bonds by current shareholders and bondholder.

The management body of the Company does not have information about agreements as a result of which changes may occur at a future time in the owned percent of shares or bonds by current shareholders and bondholder.

20. Information about pending legal, administrative or arbitration proceedings relating to issuer's liabilities or receivables at amount at least 10 percent of its equity; if the total amount of the issuer's liabilities or receivables under all initiated proceedings exceeds 10 per cent of its equity, information shall be submitted for each procedure separately

As of 31 Dec 2012 the Company has no pending legal, administrative or arbitration proceedings relating to claims or liabilities of at least 10 percent of the equity of the issuer.

21. Data about the investor relations director, including telephone and address for correspondence

The position of investor relations director of "Intercapital Property Development" ADSIC is taken by:

Milen Bozhilov
Correspondence address: Sofia, 7A Aksakov Str., fl. 4,
tel: 02 / 980 12 51

Signature:
/Velichko Klingov – Executive Director/

Date: 29.03.2013