

MARINA CAPE MANAGEMENT EOOD

Interim Financial Report

31th December 2013

Report for the financial condition

	Notes	31.12.2013 '000 BGN	31.12.2012 '000 BGN
Assets			
Non-current assets			
Property, machinery, equipment and facilities	5	717	856
Intangible assets	6	4	9
Financial assets	7	10	10
Non-current assets		731	875
Deferred tax assets	11.1	21	21
		752	896
Current Assets			
Materials	8	676	587
Goods	9	301	284
Trade receivables - advance payments	10	1747	1091
- incl. receivables from related parties		1529	1027
Tax receivables	11	23	15
Other receivables	12	569	22
Cash and cash equivalents	13	37	898
Current assets		3 353	2 897
Total assets		4 105	3 793

Accountant: _____
 / Optima Audit AD/

Manager: _____
 /Vesselin Terziev/

Report for the financial condition

	Notes	31.12.2013 '000 BGN	31.12.2012 '000 BGN
Shareholders' equity			
	14		
Share capital	14.1	5	5
Undistributed profit / (uncovered loss)		(361)	(461)
Current profit / (loss)	14.2	279	99
Total shareholders' equity		(77)	(357)
Liabilities			
Non-current liabilities			
Liabilities toward financial institutions	15	46	83
Other non-current liabilities	15.1 15.2	1361	1333
Total non-current liabilities		1407	1416
Current liabilities			
Liabilities toward suppliers and customers	16	2 287	1 750
- <i>Advance payments</i>		200	198
- <i>Current liabilities toward related parties</i>		1 770	1 258
Tax payables	18	243	143
Salaries and Social security payables	17	31	673
Other liabilities	19	214	168
Total current liabilities		2 775	2 734
Total liabilities		4 148	4 150
Total shareholders' equity and liabilities		4 105	3 793

Accountant: _____
/ Optima Audit AD/

Manager: _____
/ Vesselin Terziev /

Comprehensive Income Statement

	Notes	31.12.2013 '000 BGN	31.12.2012 '000 BGN
Revenues from the sale of:	23	2 418	2 363
Finished goods		370	381
Goods for sale		194	199
Services		1784	1692
Others		70	91
Cost of goods sold:		(2 072)	(2 209)
Expenses for materials	20	(378)	(453)
Expenses for external services	21	(863)	(744)
Expenses for depreciation		(146)	(176)
Expenses for salaries and social security	17	(311)	(367)
Expenses for impairment of assets		(45)	(52)
Other expenses		(47)	(84)
Book value of assets sold	19	(147)	(157)
Change in the inventories of finished goods and work in progress		(135)	(176)
Profit/ (loss) from operations		346	154
Financial expenses		(67)	(61)
Financial income		-	-
Extraordinary costs/ revenues		-	3
Changes in the fair value of investment property			
Profit / (loss) before tax		279	96
Net tax expenses			3
Net profit / (loss)		279	99
Earnings per share			
Total annual comprehensive income		279	99

Accountant: _____
/ Optima Audit AD/

Manager: _____
/ Vesselin Terziev /

Statement of changes in equity

All amounts are in thousand BGN

	Share Capital	Premium Reserves	Other Reserves	Retained Earnings	Total Equity
Balance as of 01 January 2012	5	0	0	(461)	(456)
Comprehensive Income					
Errors					
Profit/Loss				99	99
Other comprehensive income					
Profit / Loss from revaluation					
Total comprehensive income					
Transactions with owners					
Dividends for 2011					
Total transactions with owners					
Balance as of 31 December 2012	5			(362)	(357)

All amounts are in thousand BGN .

	Share Capital	Premium Reserves	Other Reserves	Retained Earnings	Total Equity
Balance as of 01 January 2013	5			(362)	(357)
Comprehensive Income					
Errors				1	1
Profit/Loss				279	279
Other comprehensive income					
Profit / Loss from revaluation					
Total comprehensive income					
Transactions with owners					
Dividends for 2012					
Total transactions with owners					
Balance as of 31 December 2013	5			(82)	(77)

Accountant: _____
/ Optima Audit AD/

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Cash flow statement

Notes	31.12.2013 '000 BGN	31.12.2012 '000 BGN
Cash flow from operating activities		
Cash receipts from customers	2261	2249
Cash paid to suppliers	(1263)	(2143)
Cash paid to employees and social security	(931)	(236)
Taxes paid	(56)	(64)
Other payments from operational activity	(619)	(62)
Net cash flow from operating activities	(608)	(256)
Cash flow from investing activities		
Purchase of property, plant and equipment	(-)	(56)
Sale of investments in subsidiaries		
Net cash flow from investing activities	(-)	(56)
Cash flow from financing activities		
Proceeds on bank loans		
Payments of bank loans	(253)	(201)
Payments on leasing contracts		
Proceeds on loans		587
Interest paid		
Other proceeds/payments on financing activities		
Net cash flow from financing activity	(253)	386
Net change in cash and cash equivalents	(861)	74
Cash and cash equivalents as of the beginning of the period	898	824
Foreign exchange rate differences		
Cash and cash equivalents as of the end of the period	37	898

Accountant: _____
/ Optima Audit AD/

Manager: _____
/ Vesselin Terziev /

Notes

1. General information

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

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

Managers of the Company are Nicolay Rossenov Handjiev and Vesselin Todorov Terziev.

2. Basis for financial statements preparation

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

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

3. Comparative data

In the present report a comparative data as of the previous period for 2012 is presented.

4. Accounting policy

4.1. General provisions

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 the above mentioned standards and interpretations regarding presentation, recognition and estimation of the amounts have occurred.

- **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".

- **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.

4.2. Transactions in foreign currency

The elements of the financial statements of the Company are valued in the currency of the general economic environment in which the Company performs its activity ("functional currency"). The financial statements of the Company are prepared in BGN which is the functional and presenting currency of the Company.

The transactions in foreign currency are accounted for 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 when arranging those transactions and revaluating 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 proportion 1:1. When the Euro was introduced, the BGN was fixed to the Euro in proportion 1EUR = 1.95583 BGN.

4.3. Revenues and expenses

The revenues include revenues from sales of finished goods, goods for sale, services and other sales.

The revenues shall be valued at fair value of the received or receivable compensation, provided that all the commercial discounts and quantity rabats, 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 shall be recognized at the moment of their realization while the expenses shall be 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:

- Substantial risks and rewards of the ownership of goods have been transferred to the buyer;
- The seller retains neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- The amount of the revenue can be measured reliably;
- It is probable that the economic benefits of the transaction will flow to the entity;
- 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 building (contracted with the client) as well as when the respective certificate of use is received;

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 producing and packing those goods the revenues shall be recognized.

The revenue related to a service providing transaction shall be recognized when the result of the transaction can be measured reliably.

The operating expenses shall be 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 entities, shall be recognized at the moment of their distribution.

The gains and losses from foreign exchange operations shall be 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 shall be recognized on a proportionate time base by using the method of the effective interest rate.

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

4.4. Loan expenses

The loan expenses are mainly interest paid on the loans received by the Company. All the loan expenses, including those which can be directly attributed to the purchase of an asset responding to the requirements, shall be 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.

4.5. Intangible assets

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

The subsequent valuation shall be performed at acquisition cost less the accumulated amortization and impairment losses. The impairments shall be 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 shall be recognized in the Income Statement for the period in which they arose 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 shall be added to the cost of the asset.

The amortization is included in “Expenses for amortization 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 whether 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 by the date of the Balance Sheet. 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 significance of the non-current intangible assets owned by the Company is BGN 700.

4.6. Property, machines, facilities and equipment (non-current tangible assets)

The property, machines, facilities and equipment are initially valued at their cost, including the cost of acquisition as well as all the directly attributable costs needed to bring the asset in working statement.

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

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

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

The results from the disposal of non-current assets are determined by comparing the inflows to the book value and are assigned to 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, machines, facilities and equipment acquired under the conditions of a financial lease shall be 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, machines, facilities and equipment is recorded by using the linear method of depreciation on the estimated useful life of the different groups of assets as follows:

- | | |
|---------------------------|------------|
| • Buildings | 25 years |
| • Machinery and equipment | 3,3 years |
| • Vehicles | 4 years |
| • Other equipment | 6,67 years |
| • Computers | 2 years |
| • Others | 6,67 years |

The chosen threshold of significance of the property, machines, facilities and equipment owned by the Company is BGN 700.

The management of the company revises the useful life of the amortized assets at the end of every reported period. As of 31st December 2012, the management has determined the useful life of the assets, which represents the expected period of their use by the Company. The book value of the assets is analyzed in Note 5. The actual useful life could be differentiated from the valuation made due to technical and moral wear-off, mainly of the software products and computer equipment.

4.7. Tests for impairment of intangible assets and property, machines, facilities and equipment

To calculate 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, shall be 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 shall be 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 calculate the expected future cash flows for each unit, generating cash flows, and determine a suitable discount factor to compute the present value of these cash flows. The data, used to test for impairment are 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, shall be 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 recorder in a previous period shall be reintegrated if the realizable value of the unit, generating cash flows, is more than its book value.

4.8. Financial assets

The financial assets include the following financial asset categories:

- Credits and receivables;
- Investments in subsidiaries

The financial assets are distributed between the distinct categories according to the objective of acquiring them. The category of a given financial instrument determines the valuation method and whether the revenues and expenses shall be reported in the Income Statement or directly in the Company's equity.

When initially recognizing a financial asset, the Company values it at fair value. The expenses related to the transaction, which can be directly assigned to its acquisition or the issue of a financial asset, shall be assigned to the amount of the financial asset or liability, excluding the financial assets and liabilities reported at fair value in the profit or loss.

A financial asset shall be written off when the Company loses control over the contract rights constituting the financial asset, i.e. when the rights to receive cash flows have expired or a substantial part of the risks and benefits concerning the ownership has been transferred. The impairment tests shall be performed by the date of the Balance Sheet in order to determine whether there is objective evidence on the presence of impairment of specific financial assets or groups of financial assets.

The interest payments and other cash flows related to the ownership of financial instruments shall be reported in the Income Statement at the moment of their receiving regardless of the way of valuating the book value of the financial asset to which they refer.

The credits and receivables are non-derivative financial instruments with fixed payments, which are not traded on an active market. The credits and receivables shall be subsequently valued at depreciating value by using the method of the effective interest rate.

Substantial receivables shall be tested for impairment separately when they are overdue by the date of the Balance Sheet, or when objective evidence exist showing that the counterparty will not fulfill its obligations. All the other receivables shall be tested for impairment in groups determined according to the counterparty's industry or region as well as according to other credit risks if such risks exist. In this case the percentage of impairment is determined based on historical data about the non-paid liabilities for each specific group.

Investments in subsidiaries are reported at fair value. They are reported as held for sale financial assets, according to IAS 39 Financial Instruments, Recognition and Measurement.

4.9. Inventories

The inventories include materials and finished goods. In the cost of inventories shall be included the purchase cost and other directly attributable costs related to the delivery. The financial expenses shall not be included in the cost of inventories. By the end of each reporting period the inventories shall be valued at the lower of their cost and net realizable value. The amount of any impairment of inventories to their net realizable value shall be reported as an expense for the period of the impairment.

The net realizable value is the expected selling price of the inventories less the expected costs associated with the sale. In case that the inventories have already been impaired to their net realizable value and in a subsequent reporting period the impairment indications do not hold anymore, the new net realizable value shall be taken. The reintegrated amount can be only up to the book value of the inventories before the impairment. This reintegrated amount shall be reported as a decrease in the expenses for materials for the period in which the reintegration has occurred.

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

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

4.10. Income taxes

The Company's financial result is subject to taxation with a corporate tax in compliance with Art. 92 of the Corporate Income Tax Act (CITA).

4.11. Cash and cash equivalents

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

4.12. Equity and dividend payments

The Company's shareholders' equity is completely paid in.

The retained earnings include the current financial result reported in the Income Statement as well as the undistributed profit and uncovered loss from previous years.

4.13. Pensions 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.

4.14. Financial liabilities

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

Financial liabilities shall be recognized when there is a contracted obligation to pay a certain money amount or other financial assets to the counterparty. All the expenses related to interest payments shall be recognized as financial expenses in the Income Statement.

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 shall be reported in the Income Statement in accordance with the accruing principle and the effective interest rate method, and shall be added to the carrying value of the financial liability to the extent to which they have not been settled by the end of the period in which they have occurred.

Trade payables shall be initially recognized at nominal value and consequently valued at their depreciating value less any payments associated with settling the liability.

4.15. Provisions, conditional assets and conditional liabilities

Provisions shall be 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 can be measured reliably. It is possible that the duration or the amount of the 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 shall be 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 shall not be recognized.

The amount recognized as a provision shall be computed based on the most reliable estimation of the 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 shall be discounted when the effect of the time differences in the value of money is substantial.

Compensations by third persons in relation to a given liability of the Company shall be recognized as a different asset. This asset, however, cannot be more than the amount of the respective provision.

The provisions shall be revised by any Balance Sheet date and their amount shall be 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 shall not be

recognized. The Company does not recognize any conditional assets since recognizing them may result in recognizing an income which may never be realized.

4.16. 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 4.17.

4.17. Uncertainty of the approximate accounting estimates

Preparing the financial report the management makes 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.

4.18.1. Impairment

As impairment loss shall be 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.

4.18.2. Deferred taxes

The deferred profit taxes are determined by the application of the liabilities' method, on the basis of the temporary differences arising between the tax basis of the assets and the liabilities and their book values in the financial report. Deferred taxes however are not acknowledged if they arise from initial recognition of an asset or a liability in a transaction other than a business combination and which on the date of the transaction does not have an effect neither on the accounting nor on the taxable profit or loss. The deferred taxes are determined through the application of those tax rates and regulations which are enacted or essentially enacted as of the date of the financial report and it is expected to be applied when the deferred tax assets or the deferred tax liabilities arise retroactively.

The deferred tax assets are acknowledged up to the amount to which it is possible profits to be realized in the future which shall allow the use of the temporary differences.

In compliance with the current legislation profits are levied with a corporate income tax in the amount of 10%. For the calculation of the amount of the deferred taxes a tax rate of 10% is used which is expected to be valid for the reversal.

For the calculation of the amount of the deferred taxes a tax rate of 10% is applied due to lack of reliable information about forthcoming changes in the rate of the corporate income tax.

5. Property, machines, facilities and equipment (tangible assets)

The book value of the property, machines, facilities and equipment can be presented as follows:

Tangible Assets

	Fixtures and fittings	Buildings – investment properties	Machines and equipment	Vehicles	Total
	'000 BGN	'000 BGN	'000BGN	'000 BGN	'000 BGN
Carrying value					
Balance as of 1 st January 2013	263	570	339	546	1718
Newly acquired assets	1		1		2
Written-off assets					
Balance as of 31 st December 2013	264	570	340	546	1720
Depreciation					
Balance as of 1 st January 2013	167	69	292	334	862
Written-off assets					
Depreciation	37	24	41	39	141
Balance as of 31 st December 2013	204	93	333	373	1003
Revaluation of tangible assets					
Balance as of 31st December 2013	60	477	7	173	717

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

Assets owned by “Marina Cape Management” EOOD given as collateral for credits received by the Company.

Assets owned by “Marina Cape Management” EOOD given as collateral for credits received by the Company:

1. From UniCredit Bulbank AD

1.1. Contract for an investment bank credit № 21, concluded on 24.03.2009 for the amount of 100 000 BGN (one hundred thousand BGN) to finance the Company's operating activity. On 23.05.2012, the Company signs an Annex to the Contract for an investment credit with maturity date **25.03.2013**.

With regard to the contract for the bank credit there is established a pledge on all current and future receivables of the borrower and the third parties in national and foreign currency of which they are

titulars in UniCredit Bulbank AD under the Law on the contracts for financial security in the amount of BGN 120 000.

A first in line marine mortgage is established on the following motor boats which are owned by "Marina Cape Management" EOOD with total market value – BGN 237 000 pursuant to an expert appraisal and deeds – Sailing permits and invoice EUE/08/000016.

- | | |
|--------------------------------|---|
| • Mortgage contract № 493/2009 | of Motor yacht 858 "Marina Cape" with permit for navigation 21-3689-08. |
| • Mortgage contract № 493/2009 | of Motor yacht 859 "Marina Cape" with permit for navigation 21-3690-08. |
| • Mortgage contract № 493/2009 | of Motor yacht 860 "Marina Cape" with permit for navigation 21-3725-08. |
| • Mortgage contract № 493/2009 | of Motor yacht 861 "Marina Cape" with permit for navigation 21-3726-08. |

The Company is a joint debtor on a credit limit amounting to 2 562 682.48 Euro, according to contract № 0010-0940-00000000254 between "Intercapital Property Development" ADSIC and "Piraeus Bank Bulgaria" AD.

6. Intangible non-current assets

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

Intangible Assets	Licenses '000 BGN	Total '000 BGN
Carrying value		
Balance as of 1 st January 2013	50	50
Newly acquired assets	1	1
Written-off assets		
Balance as of 31 st December 2013	51	51
Depreciation and impairment		
Balance as of 1 st January 2013	41	41
Written-off assets		
Depreciation	6	6
Balance as of 31 st December 2013	47	47
Total Balance as of 31st December 2013	4	4

7. Financial assets – investments in subsidiaries

The Company has the following investments in subsidiaries:

Name of the subsidiary	31.12.2013 '000 BGN	% ownership	31.12.2012 '000 BGN	% ownership
Marina Cape Tours EOOD	10	100	10	100
Total	10	100		

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

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

8. Materials

	31.12.2013 '000 BGN	31.12.2012 '000 BGN
Fuel greasing	7	6
Basic materials	633	536
Materials Snack bar	20	22
Materials Pizzeria	16	21
Materials Pub	-	2
Total	676	587

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

9. Goods for sale

	31.12.2013 '000 BGN	31.12.2012 '000 BGN
Inventory - furniture	227	227
Other inventory	68	49
Fruit and vegetables		
Supermarket	6	8
Bowling bar		
Total	301	284

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

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

10. Trade receivables – advance payments to suppliers

	31.12.2013 '000 BGN	31.12.2012 '000 BGN
Suppliers' receivables	34	14
Clients' receivables	1713	1077

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

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

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

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

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

The Company has clients' receivables which are current with a term of executability between 180 and 360 days. There is only a small part of the Client receivables that are with term of executability more than 360 days – those are BGN 60 thousand.

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

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

Related parties receivables

The Company's receivable from "Intercapital Property Development" ADSIC amounts to BGN 1484 000. Part of it, BGN 242 000 is formed according to a Contract for management of real estate properties that are owned by "Intercapital Property Development ADSIC. The rest, BGN 1 242 000 is formed according to a contract with Intercapital Property Development ADSIC for the management of the properties owned by them.

The receivable of "Marina Cape Management" EOOD from "Marina Cape Tours" EOOD is in the amount of BGN 45 000. The amount is due to services rendered.

11. Tax receivables		31.12.2013	31.12.2012
		'000 BGN	'000 BGN
Advance payments CITA		15	15
VAT recovery		8	

11.1. Deferred taxes	31.12.2013	31.12.2012
	'000 BGN	'000 BGN
Deferred taxes	21	21

12. Other receivables	31.12.2013	31.12.2012
	'000 BGN	'000 BGN
Receivables from employees	136	3
Guarantees	433	19
Total	569	22

The other receivables represent the guarantees of contracts with EVN Bulgaria for BGN 10 000 and with the Ministry of Regional Development and Public Works for beach concession in Aheloy town for BGN 1 000 and other receivables in the amount of BGN 301 000.

13. Cash and cash equivalents

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

The Company's bank accounts are as follows:

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

The cash funds include the following components:

	31.12.2013	31.12.2012
	'000 BGN	'000 BGN
Cash and cash in banks :	37	898
- BGN	34	896
- EUR	3	2

14. Shareholders' equity

14.1. Share capital

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

14.2. Current profit

	31.12.2013	31.12.2012
	'000 BGN	'000 BGN
Current profit / (loss)	279	99

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

Revenues	31.12.2013	(%)	Expenses	31.12.2013	(%)
Finished Goods	370	15.30	Energy	204	9.72
Goods for Sale	194	8.02	Materials	59	2.81
Accommodation	459	18.98	Rental Management	613	29.22
Maintenance	947	39.16	Depreciation	146	6.96
Recreation	96	3.97	Salaries	264	12.58
Joint Activity	70	2.89	Social Securities	47	2.24

15. Non-current liabilities

15.1. Liabilities due to financial institutions

	31.12.2013 '000 BGN	31.12.2012 '000 BGN
Bank loans	46	83
incl. Long-term liabilities		
incl. Short-term (up to 1 year) liabilities	46	83

The main details on the credits received by the Company are presented in the following table:

Name of the credit institution	Interest rate	Maturity	Currency of the payments
"UniCredit Bulbank" AD	12,25%	25.03.2013	BGN

On 24.03.2009 a Contract for an overdraft credit between "Marina Cape Management" EOOD and "UniCredit Bulbank" AD was concluded. The disposable amount is up to BGN 100 000. The interest of the loan is 12.25% - due monthly and is calculated based on the used amount. The initial maturity date of the principal was 24.03.2010. With Annex dated 23.05.2012 the term for the repayment of the loan is extended to 25.03.2013.

15.2. Other non-current liabilities

	31.12.2013 '000 BGN	31.12.2012 '000 BGN
Borrowed funds from Midia AD	450	450
Titan Bulgaria	260	-
Intercapital EOOD	221	-
Deposited Funds	352	870
Borrowed funds from Cibalab	8	8
Borrowed Funds from VEI Project AD	70	5
Others		
incl. Long-term liabilities	1 361	1 333
incl. Short-term (up to 1 year) liabilities		

The borrowed funds from "Titan Bulgaria" AD are essentially debts, which have Loan Agreements regarding the terms on their lending and repayment.

On 24.08.2010 a trilateral agreement was concluded between "Titan Bulgaria" OOD, "Midia" AD and "Marina Cape Management" EOOD. Pursuant to it, the three parties agree that the debt of "Titan Bulgaria" OOD to "Midia" AD shall be assumed by "Marina Cape Management" EOOD up to the amount of the debt of "Marina Cape Management" EOOD to "Titan Bulgaria" OOD – BGN 500 000. The Company has paid off to "Midia" AD the first installment in the amount of BGN 50 000. The deposited funds represent the acquired funds under a contract for assigning some of the claims of Marina Cape Management EOOD to Intercapital EOOD with residual value amounting to BGN 221 000 and a contract for brokerage services with Intercapital Property Development ADSIC for BGN 136 000.

16. Suppliers and clients payables

These liabilities have risen in relation to concluded contracts for services provided by suppliers, which have not been paid off by 31.12.2012 and 31.12.2013. The liabilities are due within a period of one year.

Related parties payables

	31.12.2013 '000 BGN	31.12.2012 '000 BGN
Intercapital Property Development ADSIC	1 762	1 250
Marina Cape Tours EOOD	8	8
Total	1770	1258

The liabilities result from transactions with the Company's private owner - "Intercapital Property Development" ADSIC. The Company owes the sum of BGN 497 000 for rent.

The Company owes BGN 1265 000 under a contract for management and maintenance of commercial properties in vacation complex Marina Cape for 2010, 2011, and 2012. "Marina Cape Management" EOOD performs the management and maintenances of commercial properties, owned by "Intercapital Property Development" ADSIC and transfers the revenues generated from it into the owner's account.

The liability towards "Marina Cape Tours" EOOD, amounting to BGN 8 000 is due to a contract for maintenance of the beach in 2011, concerning all necessary requirements for necessities for its exploitation by clients on the vacation complex Marina Cape.

Trade Payables to Suppliers and Clients

	31.12.2013 '000 BGN	31.12.2012 '000 BGN
	317	294

The amounts owed to suppliers (i.e. the trade accounts payables) amount to BGN 317 000. They are formed due to non-paid supplies of materials and services.

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

Trade Payables to Suppliers and Clients

	31.12.2013 '000 BGN	31.12.2012 '000 BGN
BELINA EKO-DONKA YANEVA ET	1	1
OPTIMA AUDIT AD	64	89
EVN BULGARIA	16	16
BRUS EOOD	32	32

-	6
82	17
18	18

Advance payments

31.12.2013	31.12.2012
'000 BGN	'000 BGN
200	198

The received advance payments by the Company are in the amount of BGN 200 000. They are formed due to Contracts for management and maintenance with individuals who own properties.

17. Salaries and social security payables

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

	31.12.2013	31.12.2012
	'000 BGN	'000 BGN
Salaries payables	8	514
Social security payables	23	159
Salaries and social security payables	31	673

The current part of the salaries payables towards the personnel are formed in the second quarter of 2013. The liabilities for social securities for current and former employees of the Company from 2011, and 2012, shall be settled in the first quarter of 2014.

18. Tax payables

The tax payables included in the Balance Sheet are formed by taxes due to the Law on taxation of the individuals' income, currently accrued as of September 2013 - BGN 280 000, tourist tax BGN 1 000 and VAT - BGN 194 000 and Income tax – BGN 85 000.

	31.12.2013	31.12.2012
	'000 BGN	'000 BGN
Tax Payables	243	143

19. Book value of sold assets

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

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

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

The Company generates revenues from the sale of packet services to clients on the territory of the complex – spa procedures, bowling hall entertainments, squash, fitness hall, beautician and hairdresser services, entertainments for children in a kids' center. The Company also receives revenues pursuant to Contracts for management, maintenance and representation concluded with owners of real estate properties.

The revenues from other sources include amounts due to Contracts for joint activity with an outer company – “Teokom” EOOD. Pursuant to these contracts the commercial objects “Marina grill” and “Pool bar” are being jointly exploited. The revenues from services related to electronic payments with clients of the complex are also included here.

20. Expenses for materials

The expenses for materials as of 31.12.2013 are presented in the following table:

Type of expense	Amount of the expense in '000 BGN	% of total expenses for materials
Stationery	1	0.26
Materials below the threshold value	-	-
Electric power	204	53.97
Spare parts for operating activities	59	15.61
Sanitary products	17	4.50
Utilities	39	10.32
Fuel greasing materials	55	14.55
Others	3	0.79
Total	378	100

21. Expenses for external services

The expenses for external services as of 31.12.2013 are presented in the next table:

Type of expense	Amount of the expense in '000 BGN	% of total expenses for external services
Taxes and fees	14	1.62
Commissions	37	4.29
Communication services	21	2.43
Subscription services	11	1.27
Maintenance and management	664	76.94
Sanitary services	33	3.82
Accounting services	-	-
Other external services for operations	64	7.42
	863	100

22. Policy and procedures for capital management

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

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

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

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

Revenues from sales	31.12.2013 '000 BGN	30.09.2012 '000 BGN
Of finished goods	370	381
Of goods for sale	194	199
Of management and maintenance services	1784	1692
Other revenues	70	91
Total	2418	2363

24. Risk management policy of the Company

24.1. Financial risk management

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

Market risk

Currency risk

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

Price risk

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

Firstly, the Company seeks to minimize the fixed costs as well as to exert strict control over the variable costs (incl. active management of the number of the employed personnel through the different seasons of the year and of the expenses for salaries). In order to make up for the increased overhead costs in

the complex (mainly due to the higher prices of the utility services), the Company took a decision to increase the maintenance fee paid by the owners of apartments in the complex. In order to achieve higher utilization of the Company's assets, part of the commercial properties in the complex have been rented out for management to big retail chains which offer high quality end products. The Company has concluded a contract with a third party for mutual managing of the seaside in front of the complex which reduces the additional costs for the maintenance of the beach. The Company maintains a dynamic pricing policy depending on the occupancy of the vacation complex during the relevant tourist seasons aiming to improve the work with its suppliers and subcontractors.

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

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

Interest rate risk

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

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

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

Credit risk

The credit risk results from cash and cash equivalents, derivative financial instruments and deposits in banks and other financial institutions, as well as from credit expositions of wholesalers and retailers, including non-paid receivables and contracted economic operations. For banks and other financial institutions can be accepted only independently assessed institutions with a high credit rating. When performing sales of goods and services and granting credits to clients the Company focuses on the contractors' credit reputation.

Liquidity risk

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

25. Subsequent events

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