

**ANNUAL REPORT
OF
THE AUDIT COMMITTEE OF
“INTERCAPITAL PROPERTY DEVELOPMENT” ADSIC
FOR 2014**

30 April 2015

I. General information

In compliance with Chapter eight, "B" of the Law on the independent financial audit at present the current Audit committee of "Intercapital Property Development" ADSIC has been chosen with a resolution of the General Meeting of the shareholders of the company conducted on 18.06.2009, and the members of the Committee were re-elected by the Annual General Meeting of Shareholders held on 28.06.2012.

The General Meeting of the shareholders determined the mandate of the Audit committee for a period of 3 years. Due to the fact that the Company meets the criteria under Art. 40j of the Law on the independent financial audit, the members of the Board of Directors were chosen for members of the Audit committee with Mr. Nicolas Stancioff serving as a chairman. On 28.06.2012, a regular annual General Meeting of the shareholders was held and Mr. Stancioff was relieved of the post of member of the Board of Directors. Tsvetelina Hristova was chosen for a chairman of the audit committee.

At the end of 2013, the third member of the Audit Committee - Mrs. Temenuga Ivanova passed-away, and after due authorization by the General Meeting of Shareholders, her mandate will be completed by the newly elected member of the Board of Directors' AHELOY 2012 "EODD.

II. Activity of the Audit committee activity in 2014

Given the requirements of the current legislation and the activity of the Audit committee of "Intercapital Property Development" ADSIC in the year 2014 it can be made the following conclusion regarding the financial reporting, the internal control systems, the risk management and the independent financial audit in the enterprise:

1. Monitoring of the process of financial reporting in the enterprise

In 2014 the Company carried out adequate financial reporting in compliance with the International Financial Reporting Standards (IFRS) compiled by the International Accounting Standards Council and adopted by the European Union Commission. The financial reports of the Company were prepared on the basis of the acting enterprise principle and the historical price principle. The preparation of the financial reports in compliance with the IFRS required the application of approximate accounting valuations. In addition, for the implementation of the Company's accounting policy the Management of the Company should use its own assessment. The elements of the financial reports, the presentation of which includes higher level of assessment or complexity, as well as these elements for which the assumption and the valuation have significant influence over the financial reports refer mostly to recognition of the revenues from sale of services and to measuring the stage of completion of the service as of the date of preparation of the particular balance sheet.

2. Monitoring of the efficiency of the internal control systems in the enterprise

The internal control system meets the requirements of the standards defined by the Board of Directors of the Company. The efficiency of the internal control system allowed the timely submission of accurate quarterly financial reports of "Intercapital Property Development" ADSIC to the FSC, "BSE - Sofia" AD, "Central Depository" AD and the public. Financial analysis and control over the current accounting reporting in the enterprise have been carried out on a monthly basis and the relevant reports have been presented to the attention of the

Board of Directors before the end of the next calendar month of the year. In addition, the Audit committee confirms that in 2014 the system for financial reporting of the Company was adequate and accurately presented the financial standing of "Intercapital Property Development" ADSIC as well as that the internal control system of the Company allowed effective management of the financial resources of the Company.

3. Monitoring of the efficiency of the risk management system in the enterprise

In 2014 the goal of the Management body of "Intercapital Property Development" ADSIC was the implementation of effective risk control through the application of a system for early forecasting, identification and control of the potential risks. In this respect and in compliance with the law requirements the procedures for assessment and management of the risks related to the activity of "Intercapital Property Development" ADSIC was assigned to IP "Intercapital Markets" AD.

Given the specific activity of the Company during 2014 "Intercapital Property Development" ADSIC was exposed to the following risks arising due to the usage of financial instruments:

- a) Credit risk b) Liquidity risk c) Market risk

Detailed description of the risks related to the activity of the Company is presented in the Annual report of the Board of Directors for the activity of the Company in 2014.

4. Monitoring of the independent financial audit in the enterprise

In accordance with the Accounting Law and the Law on the independent financial audit regarding the independent financial audit of enterprises which carry out activity of public interest, on 27 June 2014 the General Meeting of the shareholders of "Intercapital Property Development" ADSIC chose Grand Thornton LTD., with identification number EIK 831716285, for a registered auditor to verify and certify the annual financial report of the Company for 2014. In the month of March 2015 the Company received a letter from "GRANT THORNTON" LTD, which expressed inability to commit to carrying out independent financial audit of the Company for 2014 in the statutory deadlines. In view of this, on 26th March 2015, on the electronic case of the company in the Commercial Register pursuant to art. 249, para. 1 of the Commercial Code was entered as proposed by the Board of Directors person as auditor of the individual annual financial statements of "ICPD" ADSIC for 2014 - "AUDIT Advisers" OOD, a specialized audit firm with reg. № 152, represented by Ofelia Stefanova Slavkova auditor with diploma № 0613 with a degree in IDEs.

The Audit committee observed the work of the elected independent auditor and confirms that the independent audit for 2014 was conducted and prepared in compliance with the law and meets the requirements for independent financial audit of enterprises which carry out activity of public interest according to the current legislation.

5. Review of the independence of the Company's registered auditor pursuant to the law requirements and the Ethical Code of the professional accountants and observation for delivery of additional services by the registered auditor to the audited company

The review carried out on the independence of the registered auditor and consequently approved by the Trade Registry (see point 4 above) for 2014, as well as the elected by the

General Meeting register auditor, to verify and certify the annual financial report of the Company for 2014 showed that "Audit Advisers" OOD and respectively Dafin Asenov Sredkov, meet the law requirements and the requirements of the Company's Board of Directors. The registered auditor has not delivered additional services to the Company in 2014.

Pursuant to Art. 40m of the Law on the independent financial audit, "Audit Advisers" OOD and Dafin Asenov Sredkov publishes periodical transparency reports.

III. Recommendation for a registered auditor to verify and certify the annual financial statements of the Company for 2015

Given the fact that "Audit Advisers" OOD has carried out the independent financial audit of "Intercapital Property Development" ADSIC for 2014, and in view of the presented information in points 4 and 5 of this Report, complying with the requirements of Art. 40k, paragraph 2 of the Law on the independent financial audit (LIFA), on the grounds of Art. 40k of the LIFA, the Audit Committee recommends the independent financial audit of the financial statements of the Company for 2015 to be carried out by "Audit Advisers" OOD, with registration number EIK 201811851.

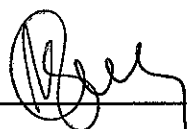
Sofia,

30 April 2015

Members of the Audit Committee of "INTERCAPITAL PROPERTY DEVELOPMENT" ADSIC



Velichko Klingov



Tsvetelina Hristova



"Aheloy 2012" OOD (represented
by the Executive Director Nikolay
Chergilanov)