



Financial Report

INTERCAPITAL PROPERTY DEVELOPMENT ADSIC

31st December 2016

Report for the financial condition

	Notes	31.12.2016 ‘000 BGN	31.12.2015 ‘000 BGN
Assets			
Non-current assets			
Property, plant and equipment	6	12 307	12 469
Investment property	7	35 637	35 970
Investment in subsidiaries	9	5	5
Other receivables	14	893	1 339
Non-current assets		48 842	49 783
Current assets			
Work-in-progress	11	1 056	1 056
Trade accounts receivables	12	4 538	4864
Advance payments	13	228	218
Receivables from related parties	33	2 918	2 337
Other receivables	14	642	640
Cash and cash equivalents	15	34	62
Current assets		9 416	9 177
Total assets		58 258	58 960

Date: 20.03.2017

Certified in accordance with Auditor's report from 31.03.2017

Registered auditor, responsible for the report preparation:
Ofelia Slavkova, TEU with diploma № 0613

Managing partner Ofelia Slavkova
Specialized auditing firm "Audit Advisers" Ltd. №152

Report for the financial condition

	Notes	31.12.2016 ‘000 BGN	31.12.2015 ‘000 BGN
Shareholders' equity			
Share capital	16.1	6 011	6 011
Issue premiums		7 651	7 651
Revaluation reserve	16.2	5 115	5 224
General reserves		1	1
Undistributed profit		9 632	9 437
Uncovered loss		(25 254)	(25 254)
Current profit/loss		(127)	195
Total shareholder's equity		3 029	3 265
Liabilities			
Non-current liabilities			
Bonds	17	3 912	4 890
Financial leasing	10	1 530	1 775
Total non-current liabilities		5 442	6 665
Current liabilities			
Liabilities to financial institutions	17	23 446	22 400
Bonds	17	978	489
Financial leasing	10	275	235
Liabilities to suppliers and customers	18	4 457	4 090
Customers' advance receivables	19	7 783	8 143
Short-term liabilities to related parties	33	2 947	2 471
Tax payables	20	75	63
Social security payables and salaries payables	21	141	115
Other liabilities	22	9 685	11 024
Total current liabilities		49 787	49 030
Total liabilities		55 229	55 695
Total shareholder's equity and liabilities		58 258	58 960

Accountant: _____
/Optima Audit AD/

Executive Director: _____
/Velichko Klingov/

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Comprehensive Income Statement

	Notes	31.12.2016 ‘000 BGN	31.12.2015 ‘000 BGN
Revenue from sales	23	393	1 224
Other revenue	28	2 455	985
Expenses for materials	24	(57)	(50)
Expenses for external services	25	(398)	(617)
Expenses for salaries	26	(40)	(72)
Expenses for depreciation	6	(54)	(55)
Other expenses	27	(482)	(523)
Change in the inventories of finished goods and work in progress	11	-	(6)
Operating profit/loss		1 817	886
Financial expenses	29	(1755)	(594)
Changes in the fair value of the investment property	30	(189)	(97)
Net profit/ (loss)		(127)	195
Earnings per share	32	(0.02)	0.03
Other comprehensive income			
Profit from revaluation of land		108	103
Total annual comprehensive income		(235)	(1 496)

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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 2015	6 011	7 651	5 267	9 437	(25 254)	3 113
Profit/Loss	-	-	-	195	-	195
Other comprehensive income	-	-	-	-	-	-
Revaluation of non- current assets	-	-	(43)	-	-	(43)
Total comprehensive income	-	-	(43)	195	-	152
Balance 31st December 2015	6 011	7 651	5 225	9 632	(25 254)	3 265
Profit/Loss	-	-	-	-	(127)	(467)
Other comprehensive income	-	-	-	-	-	-
Revaluation of non- current assets	-	-	(108)	-	-	(108)
Total comprehensive income	-	-	(108)	-	(127)	(235)
Balance 31st December 2016	6 011	7 651	5 116	9 632	(25 381)	3 029

Accountant: _____
/Optima Audit AD/

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/Velichko Klingov/

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Cash Flow Statement

	Notes	31.12.2016 ‘000 BGN	31.12.2015 ‘000 BGN
Cash flow from operating activities			
Customers` receivables		37	423
Suppliers` payables		(7)	(137)
Salaries and social securities payables		-	(35)
Other operating activities` payments, net		(52)	59
Net cash flow from operating activities		(22)	310
Cash flow from investment activity			
Acquisition of property, plant and equipment		-	-
Net cash flow from investment activity		-	-
Cash flow from financing activity			
Proceeds on loans		(5)	(181)
Payments of interest, fees and commissions		(1)	(124)
Payments on leases		-	-
Net cash flow from financing activity		(6)	(305)
Net change in cash and cash equivalents		(28)	5
Cash and cash equivalents at the beginning of the period		62	57
Cash and cash equivalents at the end of the period	15	34	62

Accountant: _____
/Optima Audit AD/

Executive Director: _____
/Velichko Klingov/

Дата: 20.03.2017 г.

Заверил съгласно одиторски доклад от 31.03.2017 г.
Регистриран одитор, отговорен за ангажимента:
Офелия Славкова, ДЕС с диплома № 0613

Управляващ съдружник Офелия Славкова
Специализирано одиторско предприятие „Одит Адвайзерс“ ООД №152

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,
- Tsvetelina Hristova.
- AHELOY 2012 EOOD, represented by the Manager Nicolay Stefanov Chergilanov

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).

The financial statements are prepared in BGN which is the functional currency of the Company. All amounts quoted are in thousands of BGN (‘000 lv) (including the comparative information for 2015) unless otherwise specified.

The financial report is compiled in compliance with the going concern principle.

This report is individual. The Company also prepares consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), developed and published

by the International Accounting Standard Council (IASC) and adopted by the EU, in which the investments in subsidiary companies are accounted and disclosed in accordance with the IFRS 10 “Consolidated Financial Reports”.

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 had been reclassified.

3 Going concern

The financial report has been compiled in compliance with the going concern principle. As of issuing these financial statements the management has made a judgement as to the Company’s ability to continue its activities as a going company based on the available information regarding the foreseeable future. The company registers a loss for the period in the amount of BGN 127 thousand and a negative cash flow from operating activities in the amount of BGN 22 thousand. The sum of current liabilities exceeds the sum of current assets by BGN 40 371 thousand as of 31.12.2016 compared to BGN 39 853 as of 31.12.2015. These circumstances show the presence of considerable uncertainty, which can lead to considerable doubts regarding the ability of the Company to continue functioning as a going company without the support of its owners or other means of financing.

The management has taken the following, more considerable measures to better the financial condition of the Company:

- The company has rescheduled its short-term obligations towards the banks, which will considerably improve the financial condition of the Company in terms of the ratio between current assets and liabilities
- The Company carries out expense optimizing policies, inventories, and other elements of the working capital. The expected result from these measures is considerably decreasing inventory, which will improve the liquidity and working capital of the Company

The management believes that based on the forecasts for the future development of the Company and the measures taken, as well as considering the continued financial support by its owners it will continue its activities and pay its debts, without selling assets and making considerable changes in its activities.

4 Changes in accounting policy

General provisions

A. New standards, changes and interpretations of IFRS, that have come in force as of January 1, 2016

The company has taken into consideration the following new standards, changes 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 or after 1st January 2016:

IFRS 11 “Joint commitments” (amended) – acquiring a share in joint activity, in force as of January 1, 2016, adopted by the EU

This amendment gives guidance according the appropriate accounting treatment of acquiring shares in joint activities, representing a business.

IAS 1 “Presentation of Financial Statements (amended) – Disclosure, in force as of January 1, 2016, adopted by the EU

These amendments are part of IASC’s initiative for improving the presentation and disclosure in the financial statements. They clarify the directions in IAS 1 regarding relevance, summarizing, presentation of subtotals, structure of financial statements and disclosure of accounting policy.

IAS 16 “Properties, Machinery and installations” and IAS 38 “Non-material assets” (amended), in force as of January 1, 2016, adopted by the EU

These amendments clarify that the use of methods for calculating depreciation, based on income, are not suitable as the income generated by a particular activity with long term material or non-material assets does not reflect the use of economic advantages which are expected from the assets.

IAS 16 “Properties, Machinery and installations” and IAS 41 “Agriculture” (amended), in force as of January 1, 2016, adopted by the EU

These amendments affect the financial reporting of fruit-producing plants like grapes, rubber trees and oleaginous palm trees. Fruit-bearing plants must be treated as properties, machinery and installations as their processes are similar to production. As a result of the latter, they are included, according to these amendments in the scope of IAS 16, instead of the scope of IAS 41. Growing fruit-bearing plants remains in the scope of IAS 41.

IAS 27 “Individual Financial Statements” (amended), in force as of January 1, 2016, adopted by the EU

This amendment allows companies to use the method of own capital when reporting investments in subsidiary companies, joint and associated ventures in their individual financial reports.

Yearly improvements, in force as of January 1, 2016, adopted by the EU

These amendments affect 4 standards

- **IFRS 5 “Non-current assets, held for sale, and discontinued activity” regarding methods of derecognition;**
- **IFRS 7 “Financial instruments: disclosure” regarding contracts for services;**
- **IAS 19 “Income from hired persons” regarding discount percentages;**
- **IAS 34 “Interim financial reporting” regarding disclosure of information;**

The company has not applied new standards or changes which have a significant effect on the financial condition or financial result of the Company.

B. Standards, changes and interpretations which are not yet into force and are not applied by the company

As of approving this financial statement, new standards have been published, changes and interpretations to existing standards, that are not yet in force or have not been adopted by the EU for the financial year beginning on January 1, 2016 and have not been applied at an earlier

date by the Company. Information regarding these standards and changes, which have an effect on the Company's financial statement are listed below.

The management expects all standards and changes to be adopted in the accounting policy of the Company during the first period, beginning after the date of their coming into force. New standards, changes and interpretations, which have not been adopted or listed below, do not have significant effect on the Company's financial report.

IFRS 2 "Payment based on shares" (amended) in force from January 1, 2018, not yet adopted by the EU.

This amendment clarifies the base for evaluating deals based on shares, settled with cash and by issuing instruments of equity, as well as accounting of changes in the remuneration for providing cash in issuing instruments of equity.

IFRS 4 "Insurance contracts" (amended), in force from January 1, 2018, not yet adopted by the EU.

These amendments are in relation to the application of IFRS 9 "Financial Instruments" and introduce two approaches: covering approach and temporary release:

- covering approach – companies, who issue insurance contracts have the right to accept the amendment arising from applying IFRS 9 in the other comprehensive income instead of in the current profit or loss until a new standard for insurance contracts is published; and
- temporary release – right of choice for temporary release from applying IFRS 9 until 2021 for companies whose activity is mainly linked to insurance. Companies who postpone the application of IFRS 9 continue applying the existing requirements for financial instruments according to IAS 39.

IFRS 9 "Financial instruments", in force from January 1, 2018, not yet adopted by the EU

The International Accounting Standards Board (IASB) issued IFRS 9 "Financial instruments" when it completed its project for substitution of IAS 39 "Financial instruments: recognition and appraisal". The new standard introduced considerable changes in the qualification and appraisal of financial assets and a new model for the expected credit loss for impairment of financial assets. IFRS 9 includes a new instruction for accounting hedging. The management of the Company is still in process of assessing the effect of IFRS 9 on the financial statement.

IFRS 9 "Financial instruments" (amended) – Accounting of hedging, in force from January 1, 2018, not yet adopted by the EU

The amendments lead to a significant change in accounting of hedging which allows companies to reflect their activities in relation to risk management better in the financial statements.

IFRS 10 "Consolidated financial statements" and IAS 28 "Investment in associated companies and joint companies" (amended), date of coming in force not yet determined, not yet adopted by EU.

These amendments are a result of the discrepancy between the requirements of IFRS 10 and IAS 28 when treating a sale or in-kind contribution of assets between the investor and associated company or joint company.

IFRS 10 “Consolidated financial statements” and IFRS 12 “Disclosure of share holdings in other companies” and IAS 28 “Investment in associated companies and joint companies” – Investment companies (amended), in force from January 1, 2016, not yet adopted by EU.

The amendments clarify the application of the exception regarding consolidation for investment companies and their subsidiaries.

IFRS 14 “Deferred accounts at regulated prices” in force from January 1, 2016, not yet adopted by EU.

IFRS 14 allows companies, applying IFRS for the first time to continue the recognition of amounts related to regulated prices in compliance with the requirements of their previous accounting practice, when applying IFRS.

IFRS 15 “Income from contracts with clients” in force from January 1, 2018, not yet adopted by EU.

IFRS 15 replaces IAS 18 “Income”, IAS 11 “Contracts for construction” and the related interpretations and introduces a new model for acknowledging income based on control. The new standard changes the rules for determining whether the income is recognized at a certain moment or during a certain period of time and leads to the expansion and improvement of disclosures regarding income. IFRS 15 is based on a main principle which requires from the company to recognize income in a way which reflects the transfer of goods or services to clients in size which reflects the expected remuneration which the company will receive in exchange of these goods or services.

IFRS 15 “Income from contracts with clients” (amended) in force from January 1, 2018, not yet adopted by EU.

These amendments include instructions for identifying commitment obligations, reporting licences for intellectual property and for judgement whether it is principal or agent (gross or net reporting of income)

IFRS 16 “Leasings” in force from January 1, 2019, not yet adopted by EU.

This standard replaces the instructions of IAS 17 and introduces considerable changes in reporting leasings, especially for lessees.

According to IAS 17 the lessees were required to distinguish between financial leasing (recognized in the balance sheet) and operating leasing (recognized off-balance). IFRS 16 requires the lessees to recognize a leasing obligation, representing future leasing payments and “right to use an asset”, for almost all leasing contracts. IASB has included the right of choice for some short-term leasings and leasings of inferior assets; This exception can only be applied by the lessees.

IAS 7 “Report for cash flows” (amended) in force from January 1, 2017, not yet adopted by EU.

These amendments require additional disclosure which will allow the users of financial statements to evaluate the changes in obligations resulting from financial activity.

IAS 12 “Income taxes” (amended) in force from January 1, 2017, not yet adopted by EU.

These amendments are in relation to the recognition of deferred tax assets for unused losses and clarify how to account deferred tax assets in relation to debt instruments, evaluated at fair value.

5 Accounting Policy

5.1 General Position

The most important accounting policies applied to the preparation of these 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.

In the report for financial condition two comparative periods are presented, when the company:

- a) Applies accounting policies retrospectively;
- b) Recalculates retrospectively positions in the financial report; or
- c) Reclassifies positions in the financial report

and this has significant effect on the information in the report for financial condition as of the beginning of the previous period.

The company has adopted to present two comparative periods in all cases in order to provide consistency in the presentation for every year.

5.2 Transactions in foreign currency

The items 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 Company’s financial statements are presented in 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 valued 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 use, in case that no economic benefits are expected from their sale. The profits and losses from taking out of use 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, the construction of an asset corresponding 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 and other comprehensive method. In the Comprehensive Income Statement, additionally paid bank fees related to renegotiating loan relationships are reported. Till the final completion of the construction works for a respective project, the loan expenses increase the direct cost 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 valued 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” in the statement for comprehensive income.

The trade brands and licenses are reported at a 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 valued at their cost, including the cost of acquisition as well as all directly attributable costs needed to bring the asset into working condition.

The subsequent valuation of land and building is performed at revaluation, which is the fair value at the date of revaluation less the accumulated depreciation and impairment losses. The impairments are recognized in the Comprehensive Income Statement and are reported as an expense in equity (revaluation reserve), if they are not preceded by previously accrued costs. Upon sale or disposal of the revalued asset, the remaining revaluation reserve is reflected the expense of retained earnings.

The subsequent valuation of all other asset groups 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 and other comprehensive income 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 company shall have economic benefits exceeding the initially evaluated effectiveness of the existing asset. All 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 any) 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:

- Machinery 3,3 years
- Office fittings 6,67 years
- Equipment 10 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 Lease Reporting

In accordance with IAS 17 "Leases", the rights of ownership of the asset are transferred from the leaser to the lessee, in cases where the lessee bears the substantial risks and rewards incidental to ownership of the leased asset.

Upon conclusion of a finance lease, the asset is recognized in the statement of financial position of the lessee at the lower of the two values - the fair value of the leased asset and the present value of the minimum lease payments plus incidental payments, if any. In the statement of financial position the corresponding finance lease obligation, regardless of whether some of these lease payments are payable in advance upon signing of the lease is reflected.

Subsequently, the lease payments are apportioned between finance expense and a reduction of the outstanding obligation under finance lease.

Leasing of land and buildings are classified separately, distinguishing components of land and buildings in proportion to the ratio of the fair values of their shares in the lease, at the date on which the assets are recognized initially.

Assets acquired under finance leases are depreciated in accordance with IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets".

The interest element of lease payments represents a constant proportion of the liability outstanding and is recognized in profit or loss for the period of the lease.

All other leases are considered operating leases. Payments made under operating leases are recognized as an expense on a straight-line basis over the life of the agreement. Costs associated with operating leases, e.g. maintenance costs and insurance, are recognized in profit or loss as incurred.

5.8 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 a 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.

5.9 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 that future economic benefits from the investment property are obtained;
- the value of the investment property can be estimated reliably.

The investment property is valued initially at cost that includes the purchase price and any other 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 with 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 are included in the Income Statement and other comprehensive income at their market values. The revaluations are made by independent appraisers with professional qualification and considerable work experience and with 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.

The gain or loss arising from changes in the fair value of the investment property is included in the profit or loss in the period in which it arises.

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 probable 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 use, 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 other comprehensive income 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 “sales”, “cost of materials”, “cost of external services” and “other expenditures”. As a rule, the profit from investment property (renting) is an investment profit and is stated separately.

5.10 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 method used for its valuation and whether the revenues and expenses are reported in the Income statement and other Comprehensive Income 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 can 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 for the financial assets and liabilities reported at fair value in the profit or loss.

A write-off of a financial asset is carried out when the Company loses 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 does exist.

The interest payments and other cash flows related to the ownership of financial instruments are recognized in the Income statement and other comprehensive income 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 past due as of the balance sheet date or when objective evidence exists that the counterparty would not honor its obligations. All other receivables are tested for impairment in groups, determined by 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 outstanding liabilities of counterparties in each group identified.

5.11 Inventories, work in progress

The Company operates only by contracting various activities to specific 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).

A portion of the value of the land, corresponding to its impairment due to limited rights of disposal, is included as an element in the cost of the finished goods (real estate – apartments, commercial properties and etc.). The land shall be valued (also according to the Bulgarian legislation) by an independent licensed appraiser at least once per year.

The direct expenditures are accumulated in the moment of their performance by batches for the particular units, and the indirect expenditures are distributed proportionally to the direct expenditures incurred for the unit.

The inventories include materials and finished goods. The purchase cost and other directly attributable costs related to the delivery are included in the cost of inventories. The expenses on used loan financing are included in the value of the inventories (work-in-progress) as their attachment to the particular unit is analytically taken into account, whereas after the completion of the work-in-progress, the expenses for financing are reported in the result. 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 for 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.

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5.12 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.

5.13 Cash and cash equivalents

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

5.14 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 below 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 the increase in 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
- classB – 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.

5.15 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, since by law the Company may appoint under a contract of employment only one person - Director of Investor Relations.

5.16 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 valued 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.

Interest income is reported on an accrual basis using the effective interest rate. Dividend income is recognized at the time when the right to receive payment.

5.17 Operating expenses

Operating expenses are recognized in profit or loss using the services or date of occurrence. Warranty expenses are recognized and deducted from the related provisions in the recognition of the related revenue.

5.18 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.

5.19 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 below.

5.20 Uncertainty of the approximate accounting estimates

For 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.

5.20.1 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.

5.20.2 Useful life of the amortizing assets

The management revises the useful life of the amortizing assets at the end of each reporting period. By 31st December, 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 6. 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)

After their initial recognition the investment property is reported using the reasonable value method. In compliance with the Law on the special investment purpose the Board of Directors has assigned the implementation of evaluation of all the properties owned by the Company as of 31.12.2016 to the independent appraiser Dobi 02 Ltd. The results of the evaluation shall be reported in the final annual financial statement of the Company.

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

	Land	Machinery	Computer and other equipment	Work in progress	Total
	'000 BGN	'000 BGN	'000 BGN	'000 BGN	'000 BGN
Book Value					
Balance as of 1 st January 2016	5 133	545	4	7 073	12 755
Newly acquired assets	-	-	-	-	-
Modification as a result of revaluation	(108)	-	-	-	-
Written-off assets	-	-	-	-	-
Balance as of 31 st December 2016	5 025	545	4	7 073	12 756
Depreciation					
Balance as of 1 st January 2016	-	(282)	(4)	-	(286)
Written-off depreciation	-	-	-	-	-
Depreciation	-	(54)	-	-	(54)
Balance as of 31 st December 2016	-	(336)	(4)	-	(340)
Book Value as of 31st December 2016	5 025	209	-	7 073	12 307

	Land	Equipment	Computer and other equipment	Work in progress	Total
	'000 BGN	'000 BGN	'000 BGN	'000 BGN	'000 BGN
Book Value					
Balance as of 1 st January 2015	5 176	545	4	7 052	12 777
Newly acquired assets	-	-	-	21	21
Modification as a result of revaluation	(43)	-	-	-	(43)
Written-off assets	-	-	-	-	-
Balance as of 31st December 2015	5 133	545	4	7 073	12 755

Depreciation

Balance as of 1 st January 2015	-	(228)	(3)	-	(131)
Written-off depreciation	-	-	-	-	-
Depreciation	-	(54)	(1)	-	(55)
Property, plant and equipment - continued					
Balance as of 31 st December 2015	-	(282)	(4)		(285)
Book Value as of 31st December 2015	5 133	263	-	7 073	12 469

The revaluation of the land owned by the Company on 31.12.2016 is negative and amounts to BGN 108 thousand. All assets are tested for indications of impairment.

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 valued initially at their direct cost which includes all the expenditures that are directly related to the particular investment property – such as construction-assembly works, project services, legal fees and other expenditures. After their initial recognition the investment properties are reported through the use of the model of the fair value.

Pursuant to the Special Purpose Vehicles Act the Board of Directors has assigned the completion of revaluation as of 31.12.2016 of all the company’s real estate properties to 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 2016 and 2015.

	31.12.2016 ‘000 BGN
Book value as of January 01, 2016	35 970
Written-off assets	157
Net profit from changes in fair value	176
Book value as of December 31, 2016	35 637
	31.12.2015 ‘000 BGN
Book value as of January 01, 2015	36 143
Newly acquired assets	
Written-off assets	(77)
Net profit from changes in fair value	(98)
Book value as of December 31, 2015	35 970

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 completed in 2010 and more particularly Zone 4 in the project was finished for which the Company received Certificate 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.

The amount of BGN 1 056 thousand is reflected as a work in progress, which represents the sum of the accrued expenses on sales of properties in the resort complex "Marina Cape", which will be recognized as an expense in the recognition of revenue in sale with a deed or transferred right of use, subject to the principle of comparability of income and expense (BGN 795 thousand) and BGN 261 thousand representing the value of the purchased equipment for restaurants on the site.

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 m² and forming a total gross floor area over 66 000 m², 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 m² with a pool bar and a children`s swimming pool, and in the north-east side is located a pool on area of 470 m².

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 m². 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 m². 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 m². 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:

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 04.12.2009, № 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.

1.3. 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 “Grand Borovets 2013” EOOD

Contract for purchase of receivables subject to which are credit № 716/18.09.2008 and credit № 717/18.09.2008 (Cession) dated 18.12.2013, pursuant to which the creditor of the Company DSK Bank EAD has transfereed its receivables from the above mentioned contracts for credit to Grand Borovets 2013 EOOD on total value of EUR 5 832 886.58.

- 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.
- Pledge contract on receivables from contracts for sale of real estate properties, described in detail in an enclosure to the Loan contract № 717/2008 concluded on 19.09.2008, entered in the Central Pledges Register on 14.10.2009.

Pursuant to the agreement concluded on 27.12.2013, between “Grant Borovets 2013” EOOD from one side, ICPD ADSIC as principal debtor and “Marina Cape Management” EOOD, “Marina Cape Tours” EOOD and Velichko Stoichev Klingov as joined debtors, it was agreed that the contractual mortgage on the property with identification number 65231.918.189, located in Samokov, Sofia municipality, Sofia district, together with the building on that property, an apartment hotel complex with related facilities with identification number 65231.918.189.2, which secures the claim of “Grand Borovets 2013” EOOD, to be removed. The removal of the mortgage was registered on 21.1.2014.

During 2014 the mortgage on commercial sites located in "Marina Cape" city. Aheloy, Pomorie municipality, Bourgas region was also removed, which also covers the current receivable of "Grand Borovets 2013" EOOD to "Intercapital Property Development" ADSIC.

3) Towards “BG Invest Properties” AD

Contract for sale-purchase of receivables dated 05.04.2013, concluded between Investbank AD and BG Invest properties AD, pursuant to which the bank has transferred its receivable from "Intercapital Property Development" ADSIC in the amount of 240 000 due to a contract for credit to "BG Invest Properties" AD.

Deed of establishment of a mortgage since 29.07.2013, act № 161, Volume III, registration № 3115, № case 538/2013, at a notary Gergana Nedina, collateral of a bank loan agreement of 08.03.2013 on the following property located in vacation complex Marina Cape, town Aheloy and property of ICPD ADSIC: sports and recreation center "Fitness Centre" with ID 00833.5.409.21, Aheloy, Municipality Pomorie, Burgas Region, an area of 214.00 sq.m., with adjacent parts: 33 square meters, along with their common parts of the building right on the pitch.

4). Teximbank AD:

Contract for bank loan for working capital from 09.12.2013, signed between "Teximbank" AD and Intercapital Property Development ADSIC under which "Teximbank" AD has provided the ICPD ADSIC as a borrower, loan of 130 000 (one hundred and thirty thousand euros), intended for working capital.

Deed of establishment of a mortgage since 5.2.2014, act № 53, Volume I, registration № 358, № case 51/2014, at a notary Gergana Nedina, collateral of a bank loan agreement of 09.12.2013, on the Company's own property consisting of residential 1 buildings, located in a complex of buildings for seasonal use "Marina Cape", built in the land with ID 00833.5.409 (zero zero eight three tree point five point four zero nine) Aheloy, Municipality Pomorie, Burgas Region, area "Prechistvatelnata".

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, 2016	3	3
Balance at December 31, 2016	3	3
Depreciation and impairment		
Balance at January 01, 2016	(3)	(3)
Balance at December 31, 2016	(3)	(3)
Book value at December 31, 2016	-	-
Intangible assets	License '000 BGN	Total '000 BGN

Carrying value

Balance at January 01, 2015	3	3
Newly acquired assets	-	-
Written-off assets	-	-
Balance at December 31, 2015	3	3

Depreciation and impairment

Balance at January 01, 2015	(3)	(3)
Written-off assets	-	-
Depreciation	(-)	(-)
Balance at December 31, 2015	(3)	(3)

Book value at

December 31, 2015	-	-
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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	31.12.2016 '000 BGN	% ownership	31.12.2015 '000 BGN	% ownership
Marina Cape Management EOOD	5	100	5	100
Total	5	100	5	100

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

	31.12.2016 '000 BGN	31.12.2015 '000 BGN
Assets	6 404	5 625
Liabilities	6 292	5 522
Revenues	1 904	1 831

10 Leases

10.1 Finance leases as a lessee

The Company has acquired under finance leases land and buildings under construction. The net book value of assets acquired under finance leases amounted to BGN 9 953 thousand. The assets are included in the groups "Land" and "Assets under construction" from "Property, Plant and Equipment" (see note 6).

The Company has signed two contracts for financial leasing with "Bulgaria Leasing" EAD dated 17 December 2013 and with "VEI Project" AD dated 30 December 2011. Finance lease liabilities are secured by the respective assets acquired under finance leases.

On 17 December 2013 the Company has concluded a contract with Bulgaria Leasing EAD for financial leasing of real estate subject to which is the investment project "Grand Borovets", property of Intercapital Property Development ADSIC. The lease price of the contract was EUR

2 927 724.36, excl. VAT. Initially, the lease price was to be paid within a 2-year period for the lease payments or 24 monthly lease installments, with grace period of 6 months and annual interest of 9%. By mutual agreement between the parties in 2014, the repayment of lease payments was extended to 20.12.2019, as a result of which the leasing price was changed to EUR 3 183 968.45 excluding VAT. The parties signed a new agreement in the end of 2016, whereby the maturity date was extended until 20.12.2021 as a result of which, the leasing price was altered to 3 411 746 euro excl. VAT. Under this contract of December 17, 2013 ICPD has transferred by notary ownership of land with ID 65231.918.189 located in Samokov, Sofia region, and built in the property building representing hotel apartment complex service sites with ID 65231.918.189.2, the lessor "Bulgarian Leasing" EAD. As a result, and under the conditions of a leaseback agreement ICPD has received by the lessor possession of the properties subject to finance lease contracts.

Leases include fixed lease payments and a purchase option at the end of the last year of the lease term. Leases are irrevocable, but do not contain other restrictions.

The Company has signed two contracts for operating leases for rental of office space in Sofia with IP Intercapital markets AD and an individual. Operating lease agreements of the Company contain no provisions for contingent rent. None of the operating lease agreements contains an option to renew or purchase escalation clauses or restrictions regarding dividends, further leasing or additional debt.

11 Work in progress

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

Work in progress	31.12.2016 '000 BGN	31.12.2015 '000 BGN
"Marina Cape" project*	1 056	1 056
Total:	1 056	1 056

As of 31.12.2016 the Company accounts BGN 1 056 thousand as "work-in-progress". The Company accounts as "work-in-progress" only the project Marina Cape. 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 31.12.2016 there are no properties in "Marina Cape" that are reported in the item "work-in-progress". The reported value of BGN 1 056 thousands represents expenses for property sales – brokerage commissions and advertising expenses for the real estate properties in the "Marina Cape" project amounting to BGN 795 thousand, 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, which are reported as work in progress, representing equipment bought for the restaurants on site.

12 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	31.12.2016	31.12.2015
	‘000 BGN	‘000 BGN
Local and foreign individuals	188	94
Vila OOD	10	10
Bulgarian Bo EOOD	8	8
R S Company EOOD	0	0
Grand Borovetz 2013 EOOD	3703	4096
BG Invest Properties AD	19	567
Other	610	300
Total	4538	4864

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.

13 Advances granted

Supplier receivables are presented in the following table:

Supplier receivables	31.12.2016	31.12.2015
	BGN ‘000	BGN ‘000
Ventenergy Ltd.	131	175
Technos Ltd.	47	47
Others	50	85
Total	228	218

Supplier's 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.

14 Other receivables

	31.12.2016	31.12.2015
	‘000 BGN	‘000 BGN
Non-current:		
Deferred expenses under a leaseback	893	1339
Non-current other receivables	893	1339

Current:

Deferred expenses under a leaseback	448	450
Prepaid expenses	-	-
Others	194	190
Current other receivables	642	640

The deferred expenses during the reporting period have been formed in connection with the leaseback agreement signed by the Company on 17.12.2013. The result from the sale of lease back agreement is a financial lease. In accordance with Art. 20 of IAS 17 "Leases" at the beginning of the lease term of a finance lease the Company recognizes the object of the lease as an asset and a liability in the statement of financial position by an amount equal to the fair value of the leased property at the beginning of the lease term or if lower - the present value of the minimum lease payments, each determined at the beginning of the lease. Initial direct costs incurred by the Company - Fees for research, initial fee, etc. added to the amount recognized as an asset. The result of the sale and leaseback is a finance lease. Therefore from transactions financial result is not definitive. It is not recognized for the period of the transaction in the profits or losses of the two parties to this transaction, in order to meet the requirement of true and fair view.

The difference between the sale proceeds and the carrying value of the asset sold is negative (i.e. the carrying amount is greater in size than the achieved selling price and the proceeds received from the sale), resulting in a realized loss. It should be recognized not once and instantly – at the date of the transaction but to be deferred and amortized over the entire period or period of the lease. In the contract for leasing ICPD realized a loss - the difference between the carrying amount of the asset and the leasing price – in the amount of BGN 4 274 thousand. This cost under IAS 17 is not final but should be rescheduled for the duration of the lease.

15 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:

	31.12.2016 ‘000 BGN	31.12.2015 ‘000 BGN
Money in cash and in bank accounts:		
• BGN	32	22
• EUR	2	40
Total	34	62

16 Shareholder's equity

16.1 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.

	31.12.2016 ‘000 BGN	31.12.2015 ‘000 BGN
Issued and fully paid shares		
- at the beginning of the year	6 011 476	6 011 476
- issued during the year	-	-
Total shares, authorized	6 011 476	6 011 476

16.2 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.

17 Liabilities to financial institutions and liabilities on bond issue

	31.12.2016 ‘000 BGN	31.12.2015 ‘000 BGN
Bonds		
Incl. long-term liabilities	3 912	4 890
Incl. short-term (up to 1 year) liabilities	978	489
Total	4890	5379
Bank Loans		
Incl. short-term (up to 1 year) liabilities	23 446	22 400
Total	23 446	22 400

The next table presents the loans received by the Company from financial institutions divided by liabilities as of 31.12.2016 according to the obligation's maturity.

Name of the credit institution	Short-term obligation in EUR	Long-term obligation in EUR	Maturity
PIRAEUS BANK AD	3 131 180,38	-	30.10.2015
PIRAEUS BANK AD	2 562 680.06	-	30.01.2014
PIRAEUS BANK AD	2 535 185.23	-	30.01.2014
Texim Bank AD	67 500.00	-	20.12.2018

The main details of the Company's credits as of 31.12.2016 are presented in the following table:

Name of the credit institution	Short-term obligation in EUR	Long-term obligation in EUR	Maturity
PIRAEUS BANK AD	3M Euribor + 7%	30.01.2014	Euro
PIRAEUS BANK AD	3M Euribor + 7%	30.01.2014	Euro
PIRAEUS BANK AD	3M Euribor + 7%	30.10.2015	Euro
Texim Bank AD	BIR in EUR +1.25% annually	20.12.2018	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 were to 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 was to be paid at the end of the period, and the interests to be paid semi-annually. The coupon was 9%. The Company's total expenditure was estimated to about 9% 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 m² 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 m² 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 m² 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.

At the General Meeting held on 6th February 2013 of the bondholders of Intercapital Property Development ADSIC was adopted proposal to restructure the Company's bond loan.

The proposed agenda was as follows:

Item one:

- Giving consent for rescheduling and restructuring of the obligations on emission ISIN code BG2100019079, through renegotiation of some of the conditions 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 in euro:

2013 г.		2014 г.		2015 г.		2016 г.		2017 г.		2018 г.	
date	amount (euro)	date	amount (euro)	date	amount (euro)	date	amount (euro)	date	amount (euro)	date	amount (euro)
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 leva 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 invitationn

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 an 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 ADSIC 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.

In addition, technical corrections in the draft on insurance policies of "Euro Ins" AD were made (which was part of the written materials for the meeting) to better protect the rights of the bondholders of the Company.

At a meeting of the Board of Directors of BSE-Sofia AD under Minutes № 8/11.02.2013, it was decided to change the parameters of the issue of debentures of the Company admitted it to Segment of the BSE-Sofia. The changes were reflected on BSE with effect from 13.02.2013.

According to the decision of the General Assembly on 06.02.2013, on 06.03.2013 in front of Zhiva Barantieva - assistant - notary who replaces Gergana Nedina, notary area of operation - the area of the District Court - Pomorie entered in the register of Notary Chamber under № 607 was signed deed of establishment of a mortgage in favor of Investbank AD, in his capacity as representative of the holders of the above bond, the following property owned by ICPD plot of land with ID 00833.5.409, address: Aheloy, Treatment area with an area 40,002 square meters

With the establishment of a mortgage ICPD fulfill its obligation to provide collateral on outstanding, as of the date of the meeting, bond loan of € 3,500,000 (three million five hundred thousand euro), together with interest due.

On 11/02/2015, there was a General Meeting of Bondholders of corporate bonds with ISIN code BG2100019079, issued by the ICPD. Pursuant to Art. 214 para. 1 of the CA General Meeting of Bondholders was convened by the representative of the bondholders "InvestBank" AD. At the meeting the following decisions on relevant agenda items were adopted.

On the first point was given for rescheduling and restructuring of the obligations on the issue of corporate bonds with ISIN code BG2100019079, by renegotiating the terms of the issue as follows:

1. Extension of the issue 24 months (from 14.08.2018 years - until 14.08.2020 years);

2. Scheme for repayment of the bond loan and interest shall be amended as follows:

2.1. The principal shall be paid to the following contributions:

2015	2016	2017	2018	2019	2020
Date/amount (euro)	Date/amount (euro)	Date/amount (euro)	Date/amount (euro)	Date/amount (euro)	Date/amount (euro)
14.02./ 62 500	14.02./ 62 500	14.02./ 125 000	14.02. /125 000	14.02./ 187 500	14.02./ 250 000
14.05./ 62 500	14.05./ 62 500	14.05./ 125 000	14.05./ 125 000	14.05./ 187 500	14.05./ 250 000
14.08./ 62 500	14.08./ 62 500	14.08./ 125 000	14.08./ 125 000	14.08./ 187 500	14.08./ 250 000
14.11./ 62 500	14.11./ 62 500	14.11./ 125 000	14.11./ 125 000	14.11./ 187 500	

2.2 . Interest payments are due under the following conditions:

a) The agreed interest rate on the bond loan will be reduced to 6% on an annual basis from 14.02.2015.

b) The possibility of applying a step for the reduction of the interest rate on the bond loan in the amount of 0.25% (zero point twenty five percent) is retained only on condition that there is prompt payment of interest and principal payments, until the interest rate reaches 5% annually. The principles and interest payments are considered to be paid on time in the event that the total amount payable for the preceding quarter, was ordered to the bank account of the "Central Depository" AD servicing debenture loan payments no later than two working days before the corresponding maturity.

c) Interest on the debenture loan is payable quarterly on the dates indicated in the table below:

Date of interest payment	Days in interest period	Days	Interest rate	Amount of due interest (EUR)
14.02.2015	92	365	7,00%	52 932
14.05.2015	89	365	6,00%	42 976
14.08.2015	92	365	5,75%	41 668
14.11.2015	92	365	5,50%	38 990
14.02.2016	92	366	5,25%	36 291
14.05.2016	90	366	5,00%	33 043
14.08.2016	92	366	5,00%	32 992
14.11.2016	92	366	5,00%	32 206
14.02.2017	92	365	5,00%	31 507
14.05.2017	89	365	5,00%	28 955
14.08.2017	92	365	5,00%	28 356
14.11.2017	92	365	5,00%	26 781
14.02.2018	92	365	5,00%	25 205
14.05.2018	89	365	5,00%	22 860

14.08.2018	92	365	5,00%	22 055
14.11.2018	92	365	5,00%	20 479
14.02.2019	92	365	5,00%	18 904
14.05.2019	89	365	5,00%	16 002
14.08.2019	92	365	5,00%	14 178
14.11.2019	92	365	5,00%	11 815
14.02.2020	92	366	5,00%	9 426
14.05.2020	90	366	5,00%	6 148
14.08.2020	92	366	5,00%	3 142

3. If, within three (3) days before the expiration of 30 days from the maturity of any outstanding principle and/or interest payment the issuer fails to submit to the bondholders' trustee the document that the payment is made in a bank account "Central Depository" AD, servicing debenture loan payments, it is considered to be the event of default on the bond issue as "Investbank" AD may exercise their rights of bondholders' trustee, under contract with the Issuer and the relevant laws.

4. The bondholders agree that any payment under the terms of the issue within the period prescribed under p. 3 will be considered for payment under the issue and will not give rise to any adverse effect on the Issuer. Payment to meet the conditions of the previous sentence can be done both by the Issuer and by any third party.

5. All other conditions issued by "Intercapital Property Development " REIT bond issue , except as expressly stated above shall remain in force and retain their effect as originally agreed, respectively renegotiated by the General Meeting of Bondholders.

On the second point changing the conditions of security provided by the issuer pursuant to Art. 100z, par. 1 of the Law on the Public Offering of Securities and representing insurance from "Euroins" AD was adopted covering the risk of default by the Issuer of interest or principal on corporate bonds with ISIN code BG2100019079.

18 Trade payables

The next table represents the most significant obligations of ICPD ADSIC as of 31.12.2016.

	31.12.2016 '000 BGN	31.12.2015 '000 BGN
Midia AD	1 850	1 850
Telelink AD	344	344
IP Intercapital Markets AD	384	297
Optima Audit AD	49	72
BG Invest Properties AD	-	290
VEI Project AD	-	156
Water Supply and Sewerage EAD, Burgas	121	110
Others	1 907	971
Total	4 457	4 090

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 2015.

The most significant obligation is to the main constructor “Midia” AD. 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.

19 Advances received from Clients

Client Payables include

Trade accounts payable (to clients)	31.12.2016 ‘000 BGN	31.12.2015 ‘000 BGN
Foreign individuals	5 192	5 600
Guarantee deposits from clients under contracts	1 921	2 062
Midia AD	481	481
Others	189	-
Total	7 783	8 143

20 Tax payables

	31.12.2016 ‘000 BGN	31.12.2015 ‘000 BGN
VAT for payment	48	39
Amounts due under personal taxes law	4	1
Obligations for property tax and garbage tax		
Waste	23	23
Total	75	63

21 Amounts due to the staff and social security entities

	31.12.2016 ‘000 BGN	31.12.2015 ‘000 BGN
Salaries Due	129	113
Social contributions due	12	2
Total	141	115

22 Other Liabilities

31.12.2016 31.12.2015

	‘000 BGN	‘000 BGN
Current:		
Cessioned liabilities under loan contract with Grand Borovets 2013		
EOOD	1488	3 258
Liabilities towards VEI Project	1 615	1 647
Liabilities towards BGI Imo EAD	5 291	4 864
Others	1 291	1 255
Total	9 685	11 024

23 Sales Revenues

Sales revenues include:

	31.12.2016	31.12.2015
	‘000 BGN	‘000 BGN
Sale of investment properties	-	60
Management of investment properties	402	402
Other revenues /write-offs of deposits/	762	762
Total	393	1 224

24 Expenses for materials

Expenses for materials include:

	31.12.2016	31.12.2015
	‘000 BGN	‘000 BGN
Expenses for electricity and heat	(57)	(50)
Total	(57)	(57)

25 Expenses for external services

Expenses for external services include:

	31.12.2016	31.12.2015
	‘000 BGN	‘000 BGN
Maintenance and management services	(224)	(392)
Fees and other services	(74)	(92)
Consulting expenses	(41)	(68)
Advertisement	-	-
Sales expenses – brokerage commissions	(1)	(9)
Rent		
Telecommunications services	(21)	(20)
Other	(37)	(36)
Total	(398)	(617)

This individual financial statements has been audited by specialized audit firm "Audit Advisers" Ltd. and registered auditor and manager Ophelia Slavkova. The remuneration of the auditor is for an independent financial audit of the financial statements. During the year, the registered auditor

has provided other services. This disclosure is in compliance with the requirements of Art. 38 para. 5 of the Accounting Act.

26 Expenses for salaries and social security contributions

The salary expenses include:

	31.12.2016 ‘000 BGN	31.12.2014 ‘000 BGN
Expenses for salaries	(35)	(65)
Expenses for social security contributions	(5)	(7)
Total	(40)	(72)

27 Other expenses

Other expenses include:

	31.12.2016 ‘000 BGN	31.12.2015 ‘000 BGN
Loss of sale of leaseback	(446)	(446)
Written-Off Receivables	1	-
Other	224	(97)
Total	(671)	(543)

28 Other Income

	31.12.2016 ‘000 BGN	31.12.2015 ‘000 BGN
Loss of sale of leaseback	2 455	985
Total	2 455	985

29 Financial Expenses

The receivables and expenses for the given periods can be analyzed as shown below:

	31.12.2016 ‘000 BGN.	31.12.2015 ‘000BGN.
Other Receivables	-	1389
Interest expense	(1 753)	(1980)
Negative results from exchange rate difference	-	-
Other financial expenses (fees for renegotiating bank loans and other penalties)	(2)	(3)
Total Net financial receivables and expenses	(1755)	(594)

30 Changes in the fair value of the investment properties

Devaluations of the investment properties in 2016 amount to (189) thousand levs.

31 Tax Expense

The financial result of the Company is not subject to income tax, in accordance with Art. 175 of the law on Corporate Tax

32 Earning per share

Basic earning per share and diluted earnings per share calculated, as the used numerator is the profit / (loss) attributable to shareholders of the Company.

The weighted average number of shares used for basic earnings per share as well as net income / (loss) attributable to holders of ordinary shares.

	31.12.2016 ‘000 BGN	31.12.2015 ‘000 BGN
Profit / (loss), attributable to shareholders (in ‘000 BGN)	(127)	195
Weighted Average Number of Shares (in ‘000 BGN)	6 011	011
Basic Earnings per Share (in ‘000 BGN.)	(0.02)	(0.32)

For the purpose of dividend distribution a transformation of the financial result is made in accordance with p. 5.14 from the accounting policy.

33 Related party Transactions/ Insider Transactions

Insiders to the company include the shareholders of the Company, key management personnel and other related persons described below.

If not explicitly mentioned the insider transactions have not been made under special provisions, and no guarantees have been given or received.

a. Transactions with subsidiaries

	31.12.2016 ‘000 BGN.	31.12.2015 ‘000 BGN.
Sale of goods and services		
- sale of services to “Marina Cape Management” EOOD	380	402
Purchase of Goods and Services		
- purchase of services from “Marina Cape Management” EOOD	224	392
Receivables from subsidiaries		
Current:		
“Marina Cape Management” EOOD	2 918	2 337
Total current receivables from related Parties	2 918	2 337

Liabilities towards subsidiaries	31.12.2016	31.12.2015
	‘000 BGN.	‘000BGN.
Current:		
“Marina Cape Management” EOOD	2 947	2 471
Total current Liabilities towards related parties	2 947	2 471

b. Transactions with key management personell

The key management personell of the Company includes the Borad of Directors. The remunerations of the key management personell include the following expenses:

	31.12.2016	31.12.2015
	‘000 BGN.	‘000 BGN.
Remunerations towards individuals	35	65
Remunerations towards Aheloy 2012	41	41
Total:	76	106

Liabilities of the company towards members of the Borad of Directors are the following:

	31.12.2016	31.12.2015
	‘000 BGN.	‘000 BGN.
Remunerations towards individuals	129	113
Remunerations towards Aheloy 2012	98	57
Total:	227	170

34. 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 BGN. On the other hand, almost all other earnings are negotiated in EUR. In a currency board and fixed exchange rate of the lev against the euro, currency risk for the company is virtually none.

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. During the reporting period the Company has not been exposed to currency risk, in so far as no positions have occurred in currencies other than the lev and euro.

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.

(-) 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. Although the rate of inflation in the country slowed as a result of the recent global economic and financial crisis, it remains higher than the average inflation rate in 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 in the economic activity, a drop in foreign investments, an increase in the unemployment 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 were faced with the challenge of trying not to cease their activities or fall into bankruptcy, which had a negative effect on the employment in the sector.

The Company is exposed to a risk of lower real estate prices from the time it incurs 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 is affected much more by world prices rather than local factors. Because of that reason, a situation could arise 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, the global financial and economic crisis affects almost equally and simultaneously (with a difference of several months) the 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 has 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. 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.

As of 29.03.2017 the Euribor interest rates are negative and are represented in the following table:

	29-03-2017
Euribor - 1 week	-0.380%
Euribor - 2 weeks	-0.372%
Euribor - 1 month	-0.373%
Euribor - 2 months	-0.339%
Euribor - 3 months	-0.330%
Euribor - 6 months	-0.242%
Euribor - 9 months	-0.171%
Euribor - 12 months	-0.109%

(c) Credit risk

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

(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

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 can continue to exist in compliance with the going concern principle; and
- to ensure adequate return for the shareholders by determining 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. Contingent assets and contingent liabilities

The Company was informed of new cases instituted against it, the most important of which are:

In 2016 "Pireaus Bank Bulgaria" AD requested the initiation of an insolvency procedure against the Company Under art. 629, para.2 from the Commercial law.

On 13th March 2017 ICPD was informed that by order of the court from 16th February 2017 the proceedings instituted on the basis of the request of "Pireaus Bank Buglaria"AD for the initiation of an isolvency procedure against "Intercapital Property Development"ADSIC was terminated.

Next in line – The Company was is informed by the Court of Arbitration for commercial disputes – city of Burgas, that it was sentenced by arbitration case No. 10/2015 to pay the sum of

BGN 525 075 to the plaintiff Media Corp., which includes principal of BGN 100 thousand contractual interest, compensation for delay and arbitration fees and expenses.

Additional Information about the status of the pending court, arbitrage and enforcement cases is available in section IX, p.20 from the Annual Report of the Company.

Next in line item – On 1st February 2017 the company signed an Annex to the Contract with “VEI Project “AD dated 30th Decemeber 2011, accoding to which the parites agreed that the period within which ICPD is set to pay the remainder of the sales price for the real estate properties to “VEI Project”AD, subject of the Contract, where as of 01.02.2016 the amount due EUR 841 989, 39 incl. VAT, the period be extended to 30.09.2021 under the following conditions:

- Interest rate: 6.5% annually for the extended period of the contract, which is applied from 01.02.2016
- Maturity date: 30.09.2021
- Interest Payments: every month, by months’end until the end of the deffered payment period.
- Paymentof theremainder of the salse price: 9 equal monthly payments with maturity from 30th January 2021 to 30th September 2021.

37. Information regarding events after the balance sheet reporting date

By orders of the Sofia City Court, delivered on 16.02.2017 and on 03.01.2017, the procedures specified in Section I, art. 1, letter "B" of the Annual Report of the Company cases insituted on the basis of declaratory actions brought by "PIRAEUS BANK BULGARIA" AD proceedings in the cases were terminated under the agreement concluded between the parties. In this regard, "Intercapital Property Development" ADSIC withdrew its objection on the orders proceedings № 9110/2016 on the inventory of the District Court - city Sofia.

During 2016 "PIRAEUS BANK BULGARIA" AD requested the opening of insolvency proceedings under Art. 629, para.2 from Commerce Act against ICPD. Based on the request a case with referenece№ 2209/2016 was initiated on the inventory of Sofia City Court.

On 13.03.2017, ICPD was informed that by order of the court from 02.16.2017, the proceedings initiated based on the application of "PIRAEUS BANK BULGARIA" AD for the opening of insolvency proceedings against "Intercapital Property Development" ADSIC were terminated.

38. Approval of the financial statements

The financial statements as of 31st December 2016 (including the comparable data) have been approved and adopted by the Board of Directors on 20th March 2017.



Independent Auditor's Report

To: The management of
INTERCAPITAL PROPERTY DEVELOPMENT ADSIC

Report on the audit of Financial Statements

Qualified opinion

We have audited the financial statements of "Intercapital Property Development" ADSIC (the "Company") as of 31st December 2016, including statement of financial condition, 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, including the summarized disclosure of the significant accounting policies.

In our opinion, except for the effects regarding the issues, described in the Section of our report "Basis for qualified opinion", the financial report provides correct and truthful presentation of the financial condition of Intercapital property Development ADSIC as of 31st December 2016, 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.

Basis for qualified opinion

1. The receivables described in the explanatory notes: 12 "Commercial receivables", 13 "Advances", 33 "Related party transactions" of the Financial statement as of 31.12.2016 are of total value 7 684 thousand BGN. As is stated in the notes, the Company has over 90% overdue impaired receivables of over one year. We could not receive enough and relevant audit proof regarding their collectability, as well as to evaluate reliably the present value of the expected incoming cash flows from them and the value of the potential impairment of the aforementioned receivables. The acknowledgment of impairment would reduce the receivables by the uncollectable sums and respectively the net annual profit.
2. The loans of the company form 50% of the total obligations, whereas over 80% of the value of the financial obligations for loans are towards Piraeus Bank. As of issuing this report we have not received direct confirmation regarding the expenses and obligations from the bank and as such, we were not able to be convinced, to a necessary degree of certainty, regarding the correctness of the representation of the obligation, nor were we able to determine whether any corrections in the financial statement are necessary.

We have carried out our audit in compliance with the International audit standards (IAS). Our responsibilities, according to these standards are set out additionally in the "Responsibility of the auditor for the financial statement audit" section of this report. We are independent of the Company in accordance with the Ethical code of the professional accountants of the Council for

international ethical standards for accountants (CIESA Code), together with the ethical requirements of the Law for independent financial audit, applicable in Bulgaria. We have conducted ours and other ethical responsibilities in accordance with these requirements. We believe that the audit proof, received by us are enough and relevant to provide a basis for our qualified opinion.

Special attention

We pay attention to explanatory note 3 “Acting Company” of the financial report, in which it is stated that the Company records a loss for the period in the amount of 127 thousand BGN and a negative cash flow from operations in the amount of 22 thousand BGN. The amount for current liabilities exceeds the sum of current assets by 40 371 thousand BGN as of 31.12.2016, compared to 39 853 thousand BGN as of 31.12.2015. As is stated in explanatory note 3 “Acting company”, these events, together with the other matters, set out in explanatory note 36 “Contingent assets and liabilities” lead that there is considerable uncertainty, which can rise considerable doubt regarding the ability of the company to continue to function as an acting company without the support of its owners and other sources of financing. Our opinion has not been modified regarding this matter.

Key audit questions

Key audit questions are these questions, which according to our professional judgement have been of most significance during the audit of the financial report for the current period. These questions have been considered as part of our audit of the financial report as a whole and forming our opinion on it, whereas we do not provide a separate opinion for these questions. In addition to the question, described in the “Basis for qualified opinion” section, we have determined the questions, set out below, as key audit questions, which are to be communicated in our report.

Key audit question	How this key audit question was addressed during the audit, conducted by us
We have focused on the book value of the investment properties which is 35 637 thousand BGN as of 31.12.2016, and their reappraised fair value, represented in the net loss for the year is 176 thousand BGN. When calculating the fair reappraised value of the investment properties a considerable judgement by the management is required. Due to the significance of the balance of the investment properties for the financial report as a whole (61% of all assets of the company) as well as due to the necessity and application of the considerable judgement, the appraisal of the fair value of the investment properties is considered a key matter for the audit. The company uses an independent appraiser for determining the fair value of the properties from all categories. The incoming data, which have the most significant effect on the assessment of fair value of the investment properties, include forecasts for future cash	Our audit procedures included the following: • Conducting appraisal of the competence, capacity and objectiveness of the independent appraiser, hired by the Company. In addition, discussing the scope of its work with the management and reviewing the conditions, under which he has been appointed. • Using our own internal experts for appraising the key judgements when determining the fair value of the investment properties and especially the appraisal models applied and the considerable assumptions, including the discount rate, terminal value in the end of forecasted period and period of development. • Comparing this data with market data and the historical data, specific to the

flows, discount rate, terminal value in the end of forecasted period and period of development.	Company, in order to appraise the relevance of these judgements. • Testing chosen incoming data, on which the appraisal of the investment properties is based, in order to evaluate their accuracy, reliability and completeness. • A special attention has been paid to the sensitivity analysis based on the considerable assumptions, in order to evaluate the degree of influence on the fair value and to evaluate the appropriateness of the disclosures made by the Company in disclosure note 7 of the financial report - "Investment properties".
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Other information, different than the financial report and the statement of the auditor on the financial report

The management is liable for the other information. The other information includes a report on the scope of business of the company, including a statement on the corporative management done by the management of the company according to the Accountancy Act. The other information does not include the financial report and our auditor statement on it.

Our assessment of the financial report does not concern the other information and we are not evaluating its security and correctness in any way unless it is stated in our report and if stated, only in the scope mentioned in the report. The scope of our audit regarding the other information is limited to reading the other information and finding whether there are essential discrepancies between the other information and/or the financial report and/or our knowledge gained throughout the audit and/or the other information includes in some other way fundamentally wrong data. If we come to the conclusion that the other information contains fundamental errors, we are obliged to report this. We have nothing to report regarding the other information.

Liability of the management and the persons, commissioned with the general governance of the financial report

The management is liable for the preparation and accurate presentation of this financial report according to the International financial reporting standards (IFRS), adopted by the European Union and Bulgarian legislature. Furthermore the management is responsible for the implementation of an internal control system, in order to avoid essential errors in the financial reporting (regardless whether due to an error or due to fraud). The scope and type of this control system are be defined by the management.

In the process of preparation of the financial report the management is responsible for the evaluation of the capability of the corporation to proceed its business as a viable company. If it is applicable, the management should publish a questionnaire, showing the assumptions for the company business and based on the accountant data. This is to happen unless the management does not intend the liquidation of the company or the end of business, or if the management does not have any other alternatives than to do so.

The persons, commissioned with the general governance are responsible for the monitoring of the financial reporting process of the company.

Liability of the auditor for the financial report audition

Our goal is to get a reasonable degree of certainty regarding the correctness of the financial report and regarding essential wrong information in the financial report (regardless whether it is due to errors or fraud). Our objective is to issue an audit report which includes our opinion as an auditor. The reasonable degree of certainty is high certainty but not a guarantee that the audit (even if in accordance with IFRS and the Law for independent financial audit) always will detect wrong information in the financial reports if such is included. Wrong information in the financial report can be due to an error or fraud and they are considered essential if they can separately or in their sum make impact on the economical decisions of the consumers who base their decisions on this financial report.

As a part of the audit and in accordance with IFRS, we are using our professional judgement and maintaining professional scepticism during the whole audit. We also:

- identify and evaluate the risks of essential wrong information in the financial report, regardless whether they are due to error or fraud. We prepare and fulfil auditing procedures in reaction to these risks and collect auditing proof which should build the ground for our estimations. The risk of not detecting wrongful information due to fraud is higher than the risks of errors as fraud often is possible after secret agreements, forgery, intended false information, false declaration in order to deceive the auditor and to skip and deceive internal control
- get an understanding of the internal control systems in order to develop auditing procedures which are suitable for the concrete situation, but we are not aiming at making a stand on the effectiveness of the internal control measurements
- evaluate the pertinence of the accountancy tool in use and the reasonability of the accountancy estimations and the announcements of the management done on connection to them
- come to conclusions regarding the pertinence of the used accountancy data base and based on the collected auditing proofs, regarding whether there is instability which can raise doubts regarding the viable existence of the company. If we reach to the conclusion that there is essential instability we are obliged to mention in our audit report the publications regarding this instability and in case this publications are inadequate - to modify our opinion. Our findings are based on auditing proofs, collected up to the date of the auditing report. Future events and conditions can be the reason that the company ends its business activity.
- evaluate the whole appearance, structure and content of the financial report, including the publications and whether the financial report represents the contracts and events of the company business in a reliable way.

We communicate with the persons, commissioned with the general governance of the audit and with other questions, the planned scope of the audit and the essential results of the audit including essential disadvantages of the internal control, which we identify throughout the audit.

We declare towards the persons commissioned with the general governance of the audit that we have fulfilled the applicable ethical requirements regarding our independence and we communicate to them all the questions what might have impact on our independence and if applicable - also the resulting measurements.

Among the questions, communicated to the persons commissioned with the general governance of the audit, we define the questions which are of biggest importance for the current period of the financial report and which are therefore the questions for the audit. We describe the questions in our audit except in cases where a law or other norms prohibit the publications of this information or when in seldom cases we decide that a concrete question should not be communicated in our report as it can be expected that the disadvantages of the publication would outweigh the advantages for the public interest.

Report on other legal and regulatory requirements

In addition to our responsibility and reporting in compliance with IAS, described above in Section “Other information different than the financial report and the audit report on it” regarding the report on the company’s activity, incl. the declaration for corporate management, we carried out the procedures added to the ones required per IAS in compliance with the References of the professional organization of the certified accountants and registered auditors in Bulgaria – Institute of the certified accountants, issued on 29.11.2016. These procedures concern verifications for presence as well as verifications of the form and the contents of that and other information in order to help us in forming a statement whether the other information includes disclosure and reporting, intended in Chapter seven in the Accounting Law and the Law on Public Offering of Securities, (Art. 100n, para. 10 from the Law on Public Offering of Securities in connection with Art. 100n, para.8, p. 3&4 from the Law on Public Offering of Securities), applicable in Bulgaria.

Opinion regarding - Art. 37, para. 6 from the Accounting law

On the basis of the performed procedures, our opinion is the following:

- (a) the information included in the report for the activity during the financial year, for which the financial report is prepared, is in accordance with the financial statement
- (b) the report is prepared in accordance with the applicable laws
- (c) as a result of the of the acquired knowledge and attained understanding for the activity of the Company and the environment in which it operates, we have not identified an instance of substantial misrepresentation in the report
- (d) the relevant information regarding corporate governance for the financial year is present in accordance with the respective regulations, incl. information under Art. 100(n) para.8 from the law on Public Offering of Securities;

Opinion regarding Art. 100(n), para.10 from the law on Public Offering of Securities

On the basis of the conducted procedures and acquired knowledge and understanding for the activity of the Company and the environment in which it operates, with exception to the questions “Basis for statement of qualified opinion” and “Paying Attention” in our opinion, no instances of significant incorrect reporting are present in the description of the main characteristics of the systems for internal control and risk management of the Company in regards to the process of financial reporting and the information presented regarding art.10 para. 1, under letters „B“, „r“, „e“, „3“ и „H“ from European Directive 2004/25/EU of the European Parliament and the council from the 21st of April 2004 regarding propositions for mergers, which are included in the declaration for corporate management of the Company, which is a part of the annual statement.

Additional reporting regarding the audit of the annual report in accordance with Art.100(н), para.4, p.3 from the law on Public Offering of Securities

- Statement regarding Art. 100 (n), para. 4, p. 3, letter ”б“ from the law on Public Offering of Securities.

The information regarding transactions with related parties is stated in note 33 from the annual report. On the basis of the conducted audit procedures for the related party transactions as part our audit on the financial report as a whole, there have been no facts, circumstances or other information on the grounds of which to make the conclusion that the related parties transactions have not been disclosed in the attached financial statement for the year ending 31st December

2016, in light of all essential aspects, and in accordance with the regulations of International Accounting Standards 24 “Disclosure of related parties”. The results from our audit procedures regarding related parties transactions are examined by us in the context of forming our opinion about the financial report as a whole and not with the intention of stating a separate opinion about the related party transactions.

- Statement regarding Art.100 (n), para.4, p.3 6 „B“ form the law on Public Offering of Securities.

Our responsibility for audit of the financial statement as a whole, described in our report “Responsibility of the auditor for the audit of the financial statement”, evaluates whether the financial report discloses the significant transactions and events in a way which meets fair representation. On the basis of the conducted audit procedures regarding significant transactions, fundamental for the financial statement for the year ending 31st December 2016, with exception to the questions “Basis for statement of qualified opinion” and “Paying Attention”, there have been no facts, circumstances or other information on the grounds of which to make the conclusion that there have been cases of significant untruthful representation and disclosure in accordance with the applicable International Financial Reporting Standards, accepted in the European Union. The results of our audit procedures concerning significant transactions and events in regards to the financial statement of the Company are examined by us in the context of forming our opinion about the financial report as a whole and not with the intention of stating a separate opinion about these significant transactions.

Auditor: “Audit Advisers” OOD #152

Registered auditor, responsible for the assignment:

Ophelia Slavkova, Diploma for Expert Accountant with diploma #0613

Managing Partner

Ophelia Slavkova

Date: 31.03.2017

Address of the auditor:

Blvd. Bulgaria, Bokar Area, Bulding 21, floor 1, Sofia, Buglaria

„Intercapital Property Development ADSIC
Annual Management Report
December 31, 2016

ANNUAL MANAGEMENT REPORT

INTERCAPITAL PROPERTY DEVELOPMENT ADSIC

for 2016

20 March 2017

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) significant commitments on capital expenditures as of the end of the last reporting period
- b) significant trends, 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 of inflation and volatile prices 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. Structure - branches and departments

V. Financial instruments

VI. Information regarding art.187d and 247, art.2 of the Commercial Law

VII. Changes in the price of Company's shares

VIII. Planned economic policy for 2017

IX. Additional information under Appendix No. 10 (pursuant to Art. 32, par. 1, pt. 2, Art. 35, par. 1, pt. 2, Art. 41, par. 1, pt. 2 of Ordinance No. 2 from 17.09.2003 on the prospectuses submitted when public offering and admission to trading on a regular market of securities is carried out and on disclosure of information by the public companies and the other security issuers)

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 issuing securities (equity or debt) or obtaining bank loans.

In 2016, the Company has not reported revenue from the sale of real estate property. Although there was significant improvement in the real estate market for Black sea holiday properties in 2016, demand remained limited. Currently, Intercapital Property Development ADSIC has concluded preliminary contracts for the sale of properties of approximately 4 962.67m2 in Marina Cape vacation complex.

For an eighth consecutive year, in 2016, "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 its 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 2016 that revenue is in the amount of BGN 380 thousand. In comparison, during 2015 these revenues amounted to BGN 402 thousand. It should be clarified that ICPD reports as revenues 100% from the profit, realized by the subsidiary from managing the properties and then reports as expenses for outsourced services 30% of this amount.

The Company also realized extraordinary income in the amount of BGN 2 455 thousand. BGN 1 770 thousand represent a partial write-off of liabilities from one the creditors, namely Grand Borovets 2013 EOOD. The remaining part amounting to BGN 685 thousand represent income from written-off liabilities towards customers/contractors of the Company, whereas a higher percentage of them have been written off in relation to failure to fulfil obligations of the clients/contractors of the Company in accordance with the contracts signed.

In 2016 the Company has not generated financial income. The financial expenses are in the amount of BGN 1 755 thousand, BGN 1 753 thousand of which are interest expenses.

In the end of 2016, in compliance with the existing legislation, an appraisal of the investment properties, land and assets in process of construction owned by the Company was carried out. The investment properties of the Company include all properties – residential and commercial in Vacation Complex Marina Cape. As a result of the appraisal, as of 31.12.2016 the value of the investment properties of the company was reduced by BGN 189 thousand relative to their value prior to the appraisal on 31.12.2016. The result of the revaluation of the land owned by the Company as of 31.12.2016 is negative. As of 31.12.2016 their value is BGN 5 025 thousand compared to BGN 5 133 thousand as of 31.12.2015.

b) Development of the Company's investment projects

“Marina Cape”

The vacation complex has been fully completed since August 2010, by virtue of certificate No 45 (26 s.) and No 48 (27 s.) sector number 26 and 27 (Zone 4).

During 2016 works on repairing damages that occurred during the exploitation and other necessary renovation in the complex were carried out. The renovation activities are carried out by the subsidiary and managing company “Marina Cape Management” EOOD.

The vacation complex is exploited all year round. In the winter season 2015-2016, 2 of all 4 restaurants were open, 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.

During the 2016 summer season, the complex was exploited at over 90% capacity (for the apartments owned by the Company and for those that are not owned by it but are managed by its subsidiary company “Marina Cape Management” EOOD).

There are regular conference meetings in the complex “Marina Cape”. The company aims to actively develop this type of tourism.

“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 rough construction was Midia AD. The plot where the project is to be constructed is of total area of 6 600 sq. m. The project is of 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. Currently the additional requirements by CEZ have been taken care of. Issuance of Act 15 for the outside electric supply of the building and signing a contract for the sale of the electric substation shall be carried out after completing the construction (Act 15) of the building. Currently all construction and other works on the building are at a halt for an indefinite period of time.

The Company's plans about the “Borovets Grand” project were to have it completed 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 project.

On 06th June 2011, the Board of Directors took a decision to start negotiations for the sale of the real estate and the built hotel apartment complex “Grand Borovets” for a starting price not lower than € 5 000 000.

In connection with this, several publications of an advertisement 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 the project for sale to brokers in the Arab countries, Russia and Kazakhstan.

Parallel to the latter, the Company is actively searching for a partner who may be willing to invest €2 500 000 required for completing the project Grand Borovets so that it may function as a hotel. As such, the Company has established contacts and is negotiating with several potential investors.

On 17 December 2013 the Company signed a contract with Bulgaria Leasing EAD for financial leasing of real estate subject to which is the investment project “Grand Borovets”, property of Intercapital Property Development ADSIC. The lease price of the contract is EUR 2 927 724.36, excl. VAT. Initially the lease price was agreed to be paid in a 2-year period, with a grace period of 6 months, in 24 instalments each due on the 20th of each month it is due on and at a fixed annual interest of 9%. By mutual agreement of the parties in 2014, the maturity date was

extended until 20.12.2019 as a result of which, the leasing price was altered to 3 183 968.45 euro, excl. VAT. The parties signed a new agreement in the end of 2016, whereby the maturity date was extended until 20.12.2021 as a result of which, the leasing price was altered to 3 411 746 euro excl. VAT. Under the contract from December 17, 2013 ICPD has transferred by notary ownership the land with ID 65231.918.189 located in Samokov, Sofia region, and the building constructed on it, representing a hotel apartment complex and service buildings with ID 65231.918.189.2, to the lessor "Bulgarian Leasing" EAD. As a result, and under the conditions of a leaseback agreement, ICPD has been granted possession of the properties subject to the Contract for financial leasing by the lessor.

c) Financing of Company's operations

As of 31.12.2016 ICPD has obligations towards banking institutions, including long term and short term ones, in the amount of BGN 23 456 thousand, as well as an obligation in relation to a bond issue in the amount of BGN 4 890 thousand.

Due to the fact that ICPD did not manage to make the interest and principal payment on its bond loan (due on 14.02.2016), before 10.02.2016, pursuant to the repayment scheme, adopted by the General Meeting of the bondholders, held on 11.02.2015 and in compliance with the decisions of that General Meeting, the interest rate that was applied over the outstanding bond loan for the next three-month period starting on 15.02.2016, remained in the amount of 5.75% annually.

On 11.03.2016 "Intercapital Property Development" ADSIC paid interest in the amount of EUR 39 747 and principal in the amount of EUR 62 500 that were due on 14.02.2016. Due to the delay in making the amortization payment, the Company paid to its bondholders an interest for the delay for the period 15.02.2016-11.03.2016 in the amount of BGN 499.31 (or BGN 0.0998624 per bond).

Due to the fact that the ICPD did not manage to make the interest and principal payment on the bond loan (due on 14.05.2016) before 12.05.2016, under the repayment plan, adopted by the General Meeting of Bondholders held on 11.02.2015, and in accordance with the Decisions of the bondholders of this meeting, the interest rate applicable on the remainder of the bond issue for the next three months, starting on 15.05.2016, remained in the amount of 5.75% annually.

On 09.06.2016, the Company paid interest in the amount of EUR 37 999 and principal in the amount of EUR 62 500 that were due on 14.05.2016. Due to the delay in making the amortization payment, the Company paid to its bondholders an interest for the delay for the period 15.05.2016-09.06.2016 in the amount of BGN 499.30 (or BGN 0.09986 per bond).

Due to the fact that the ICPD did not manage to make the interest and principal payment on the bond loan (due on 14.08.2016) before 11.08.2016 under the repayment plan, adopted by the General Meeting of Bondholders held on 11.02.2015, and in accordance with the Decisions of the bondholders of this meeting, the interest rate applicable on the remainder of the bond issue for the next three months, starting on 15.08.2016, remained in the amount of 5.75% annually.

On 08.09.2016, the Company paid interest in the amount of EUR 37 941 and principal in the amount of EUR 62 500 that were due on 14.08.2016. Due to the delay in making the amortization payment the Company paid to its bondholders an interest for the delay for the period 15.08.2016-08.09.2016 in the amount of BGN 480.09 (or BGN 0.096018 per bond).

Due to the fact that the ICPD did not manage to make the interest and principal payment on the bond loan (due on 14.11.2016) before 10.11.2016 under the repayment plan, adopted by the General Meeting of Bondholders held on 11.02.2015, and in accordance with the Decisions of the bondholders of this meeting, the interest rate applicable on the remainder of the bond issue for the next three months, starting on 15.11.2016, remained in the amount of 5.75% annually.

On 12.12.2016, the Company paid interest in the amount of EUR 37 037 and principal in the amount of EUR 62 500 that were due on 14.11.2016. Due to the delay in making the amortization payment the Company paid to its bondholders an interest for the delay for the period 15.11.2016-12.12.2016 in the amount of BGN 537.72 (or BGN 0.107543268 per bond).

Due to the fact that the ICPD did not manage to make the interest and principal payment on the bond loan (due on 14.02.2017) before 10.02.2017 under the repayment plan, adopted by the General Meeting of Bondholders held on 11.02.2015, and in accordance with the Decisions of the bondholders of this meeting, the interest rate applicable on the remainder of the bond issue for the next three months, starting on 15.02.2017, remained in the amount of 5.75% annually.

On 13.03.2017, the Company paid interest in the amount of EUR 36 233 and principal in the amount of EUR 125 000 that were due on 14.02.2017. Due to the delay in making the amortization payment the Company paid to its bondholders an interest for the delay for the period 15.11.2016-15.02.2017 in the amount of BGN 1 039.88 (or BGN 0.207975138 per bond).

In 2016, the Company has not raised funds in the form of share capital, has not issued bonds or received bank credits.

On 24.09.2015 ICPD was informed of the formation of an enforcement case No: 671/2015, on the docket of private bailiff Stanimira Nikolova, Reg No: 805 of the Chamber of Private Enforcement Agents. The case was formed based on executive order issued in favour of Piraeus Bank Bulgaria AD, for principal in the amount of EUR 550 000. The executive orders for these sums have been issued as follows:

- for the amount of EUR 250 000 – order proceedings of case 22731/2015 of Regional Court of Sofia, the claim originating from loan contract No: 1236/2007, dated 19.10.2007
- for the amount of EUR 300 000 – order proceedings of case 22737/2015 of Regional Court of Sofia, the claim originating from loan contract No: 736/2008, dated 07.07.2008, signed with Piraeus Bank Bulgaria AD

The company has filed appeals for the issued executive orders and receiving orders. In response, the bank has made determination claims as per art. 422 of the Code of Civil Procedures, as follows:

- for the amount of 250 000 a commercial hearing No: 1501/2016 in Sofia City Court was initiated
- for the amount of 300 000 a commercial hearing No: 777/2016 in Sofia City Court was initiated

In 2016 ICPD ADSIC was informed of the issuing of two more executive orders as follows:

- for the amount of EUR 500 000 – order proceedings of case 9111/2016 of Regional Court of Sofia, the claim originating from loan contract No: 1236/2007, dated 19.10.2007
- for the amount of EUR 500 000 – order proceedings of case 9110/2016 of Regional Court of Sofia, the claim originating from loan contract No: 736/2008, dated 07.07.2008, signed with Piraeus Bank Bulgaria AD

The company has filed appeals for the issued executive orders and receiving orders for both executive proceedings in 2016.

In this regard, the bank has made determination claims as per art 422 of the Code of Civil Procedures for which case No: 7106/2016 of Sofia City Court was initiated.

In 2016 Piraeus Bank Bulgaria AD submitted a claim for opening insolvency proceedings for ICPD as per art. 629, par 2 of the Commercial Law. In relation to the latter, a case No: 2209/2016 of Sofia City Court was initiated.

By decision of Sofia City Court, issued on 16.02.2017 and 01.03.2017, regarding the above cases, based on determination claims made by Piraeus Bank Bulgaria AD, the proceedings of the hearings were terminated according to an agreement concluded between the parties. In this regard, Intercapital Property Development ADSIC withdrew its appeal regarding case 9110/2016 of Sofia Regional Court.

On 13.03.2017 ICPD was informed that by decision on 16.02.2017 the court has discontinued the proceedings of the hearing, initiated by the claim of Piraeus Bank Bulgaria AD for opening insolvency proceedings against Intercapital Property Development ADSIC.

2. Capital resources:

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

With regard to “Marina Cape” vacation complex the Company does not have material commitments for realization of capital expenditures because licenses for use for all the residential properties in the complex have already been issued - i.e. the properties, which are subject to preliminary contracts for sale concluded and in regard to which advance payments have been received, 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, currently, the construction works on Grand Borovets project have been frozen due to lack of financing. According to the management, around € 2 500 000 are required, including expenses for the construction of all facilities in the complex (including water supply, sewerage, electrical installation), setting of flooring, tiling, landscaping, insulation, plaster walls and everything else that is necessary for obtaining of a certificate for exploitation.

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

Currently, 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 the beginning of 2016, the world capital markets noticed negative movements. The fears for the condition of the economy in China and its possible negative effect on the world economy led to serious decreases in the indices in the first days of the year. After a very volatile first half of 2016, a very successful second half followed, bringing good return for most risk assets. After being sold out to its previous bottom levels. American index S&P 500 managed to find support and slowly recover from the losses. Statements and the specific actions of the leading central banks in the form of increased scale and period of QE from ECB and the focus on having a stable world economy, set by the chairman of FED Janet Yellen, helped for the recovery of the markets. The markets were also supported

by the data for the performance of European economies, while at the same time, the US economy continued to show good results and remarkable stability. The developing markets also moved with positive trends, as a result of the recovery in raw material prices and the expectation that FED will slow the increase in interest rates.

In the end of June 2016, the results of the referendum in Great Britain for exiting the EU brought a new wave of volatility. The day after, the European markets collapsed, as uncertainty for EU's future deepened. This was the bottom for the European market shares. The decrease however was temporary, whereas the European markets not only closed the gaps resulting from the surprising referendum result in the UK, but some, like the German DAX even completely erased their losses from the beginning of the year. The second half of the year was marked by the president elections in the USA in November, whereas investor attention from all over the world was focused on the outcome. The surprising result of Donald Trump winning, quickly overturned the negative trends and brought an increase in the local market that same day. The election programme, announced by Trump was interpreted in the strong growth of the relevant sectors of the American market, which were expected to be the most favoured. Investors turned to risky assets again, whereas S&P 500 achieved a 3.4% monthly growth. State bonds were sold off and the dollar and share market showed the direction of money movement. The expected interest rate increase by FED in December contributed to the weaker performance of the developing markets in the last months, but they enjoyed strong moments before that, considering their delayed increase during the year. As such, the broad index S&P 500 ended the year with growth a bit over the average historic 9.5%. The European markets recorded one of their best months in December, the German DAX achieving 7.9%, closing in green by 6.9% for the year, the French CAC-40 added 6.2% and also ended the year in green by 4.9%.

2016 was also positive for the Bulgarian capital market. The main index of the Bulgarian Stock Exchange added 28%, the range of price increase being from 7% to 73%. The growth of SOFIX for 2016 placed it in third place in Europe after the Russian and Belgium stock exchange. The index moved up during the second half of the year after the minimal decrease of 1.16% in the first six months. The main reason for the increase was the newly-created ETF for the main index. The attention of the investors was focused mainly on the shares of the companies in it. They were the ones increasing in price during that month. In addition, in August 2016 the results from the verification of assets of the commercial banks, in accordance with EU standards, came out. The positive results from the stress tests of the banks reassured the investors, creating a favourable environment for increased interest in shares of Bulgarian companies, specifically by foreign institutional investors. Due to the latter trends, the expectations of Intercapital Property Development's management are moderately optimistic, whereas the company does not rule out the possibility of volatility in the markets of Central and Eastern Europe, linked mainly to events in the world markets. As such, the management of the company cannot forecast upcoming procedures for capital increase of the company.

Debt securities. In the last quarter of 2016 there were no auctions on the primary market, whereas the factors explaining the reduced offering of State Securities throughout the entire year remained the same. They had full coverage of the government with liquid funds as a result of the double tranche bonds on the international capital markets of size of 1994 million euro emitted in March 2016 and the realized budget surplus in the end of the year. The return on the secondary market on the benchmark emission with maturity 10 years and 6 months continued to drop and in the fourth quarter it recorded a decrease of 35 basis points compared to the third quarter, reaching 1.80%. The continued decreasing trend was

mainly due to the increased demand of State Securities on the domestic secondary market, determined by the larger volume of State Securities with upcoming maturity compared to issues on the domestic market since 2016, high liquidity in the banking sector and limited alternative investment options. As a result of mainly external factors the return on all debt instruments of the government, emitted on the international capital markets increased relatively quickly in mid-November, and began to decrease after that, reaching the levels of the third quarter in the short term maturities. In the first half of 2017, the Bulgarian State Securities' return is expected to remain at the same level as in the end of 2016. The increased domestic demand will be at decreasing return at limited offering of new issues and high liquidity of the banking sector. Due to the increasing global political instability and the current indications for carrying out of diversified policies of the Federal Reserve of USA and ECB it is possible to expect an increase in the fluctuations of the markets of state debt. In 2016, in Bulgaria, the practice for placement of corporate bonds outside the stock market with their subsequent registration for exchange trading continued. The new issues, registered for trade at the Sofia Stock Exchange were 8. The management of the company expects that there will be an increase in issuing new bonds, a prerequisite of which is the drop in interest rates of deposits in Bulgaria.

- **Bank loans.** Although in 2011 the banking market began to observe some movement, it was more in terms of housing loans, i.e. it benefited the buyers and was almost negligible in terms of developers. We expect that in 2017 the situation in the credit markets would continue to improve, but the construction contracting sector will likely still be considered as not a very desirable borrower.

3. Results from the Company's activity

a) Unusual or sporadic events

In the year 2016 there were no unusual or sporadic events for the Company, which have influenced the results from its activity.

Nevertheless it is worth mentioning that in 2016, ICPD realized extraordinary income in the amount of BGN 2 455 thousand. BGN 1 770 thousand represent a partial write-off of liabilities from one the creditors, namely Grand Borovets 2013 EOOD. The remaining part amounting to BGN 685 thousand represent income from written-off liabilities towards customers/contractors of the Company, whereas a higher percentage of them have been written off in relation to failure to fulfil obligations of the clients/contractors of the Company in accordance with the contracts signed.

On 01.02.2016 the company signed an Annex to a Contract with "VEI Project" AD, dated 30.12.2011, according to which the parties agree the term in which Intercapital Property Development ADSIC must pay VEI Project the remainder of the sale price of the properties, subject to the contract, which as of 01.02.2016 is in the amount of 841 989.30 EURO, to be extended to 30.09.2021, whereas the conditions for payment are altered as follows:

- Annual interest in the amount of 6.5% for the extended term of the contract, applied as of 01.02.2016
- Maturity 30.09.2021
- Interest payment – every month, no later than the last day of the month, until the maturity date
- Payment of remainder of the sale price – in 9 equal installments starting January 30, 2021 until September 30, 2021

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

Construction works on the project "Grand Borovets" remained frozen in 2016. They may be resumed in case of securing finances to complete the site.

In 2016 the expenses of the project "Marina Cape" were mainly fees for management and maintenance and overheads. It is expected that in 2017 the Company will continue to realize revenue from the sale of vacation properties in Marina Cape as well as from their management.

The largest item in the Company's expenses in 2016 were the expenses for interest – bank and bond loans and on other obligations of the Company.

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 2013 the recovery from the crisis began and the real estate market showed positive data more often. According to Green Life Development & Resorts in 2016 the market for holiday properties in Bulgaria became more stable. Prices remained without significant changes and the interest from the buyers was sustainable. These trends give grounds for optimistic expectations in 2017 in case that the geopolitical situation does not undergo new changes. In 2016 there were new trends giving grounds for optimism. One of them is the fact that Bulgarian buyers are becoming a significant part of the market of holiday properties. According to Green Life Development & Resorts the conditions in the holiday property market will be favourable in 2017 also in terms of competitive environment. After the events in Turkey, our neighbor is not an option for holidays for Russian citizens. In this regard, Bulgaria does not have a competitor with identical characteristics.

The property market in the ski resorts remained without significant changes, according to Green Life Development and Resorts. There are single buyers taking advantage of the low prices, buying properties for their own use. The market is almost entirely secondary and the buyers are mainly Bulgarian.

In 2017 the expectations are that we will not evidence significant changes or shocks. The holiday property market will continue to develop in moderate terms but in the positive direction. It is possible that there will be an increase in activity and number of deals at the southern part of the Black Sea, as well as new projects. An increase in the price levels will not happen and the preferences of buyers will remain without significant changes – good location, moderate building, reasonable price levels, options for annual maintenance of the properties. That is one of the advantages of the residential complex "Marina Cape" owned by "Intercapital Property Development" ADSIC. Another key factor that places the complex, and the Company, respectively, in a favourable 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 unbuilt projects. The trend that started in 2008, that buyers look for properties that are ready for use, due to their unwillingness to take risks continues to this date. 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

By decision of Sofia City Court, issued on 16.02.2017 and 01.03.2017, regarding the cases listed herein in Section I, art. 1 c, based on determination claims made by Piraeus Bank Bulgaria AD, the proceedings of the hearings were terminated according to an agreement concluded between the parties. In this regard, Intercapital Property Development ADSIC withdrew its appeal regarding case 9110/2016 of Sofia Regional Court.

In 2016 Piraeus Bank Bulgaria AD submitted a claim for opening insolvency proceedings for ICPD as per art. 629, par 2 of the Commercial Law. In relation to the latter, a case No: 2209/2016 of Sofia City Court was initiated.

On 13.03.2017 ICPD was informed that by decision on 16.02.2017 the court has discontinued the proceedings of the hearing, initiated by the claim of Piraeus Bank Bulgaria AD for opening insolvency proceedings against Intercapital Property Development ADSIC. More information regarding the status of the outstanding legal, arbitrary and executive proceedings can be found in Section IX, art. 20 below.

III. Important research and development

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

IV. Structure – branches and departments

The activities of the company are not organized in departments and there are no branches.

V. Financial instruments

Apart from regular shares, the company has issued bonds, traded on the Bulgarian Stock Exchange since 2008.

As of 31.12.2016, the company has not used financial instruments for hedging the financial, price, credit and liquidity risks and the cash flow risk.

VI. Information regarding art.187d and 247, art.2 of the Commercial Law

1. Information regarding art.187d for transactions with own shares

In 2016 ICPD has not acquired or transferred own shares.

2. Remunerations, received in total through the year by the members of the Board

According to the commercial law and the statutes of the company, the remuneration of the members of the Board is determined by the General Meeting.

The executive members of the Board conclude a contract in writing for the management of the company, whereas the remaining members of the Board may conclude employment contracts or contracts for management.

In 2016 the members of the board have not been paid remuneration.

3. Acquired, owned and transferred company shares during the year by the members of the Board

As of 31.12.2016 the members of the Board own company shares as follows:

	Shares	% of capital
Velichko Klingov ¹	43 111	0.72%

¹ As of 31.12.2016, Velichko Klingov has concluded a contract for repo of financial instruments with collateral – shares of ICPD (37 806 in total) in his capacity of seller, whereas these shares are a part of all shares, listed above.

As of 31.12.2015 the members of the Board own company shares as follows:

	Shares	% of capital
Velichko Klingov ¹	77 111	1.28%

¹ As of 31.12.2015, Velichko Klingov has concluded a contract for repo of financial instruments with collateral – shares of ICPD (37 806 in total) in his capacity of seller, whereas these shares are a part of all shares, listed above.

4. Rights of the members of the Board to acquire company shares and bonds

The statutes of ICPD do not provide privileges or limitations for the board members to acquire company shares or bonds.

5. Participation of the members of the board in companies as partners with unlimited liability, ownership of over 25% of the capital of another company as well as their participation in the management of other companies or cooperations as procurators, managers or board members.

5.1 Velichko Stoychev Klingov – CEO

Velichko Stoychev Klingov is not a partner with unlimited liability and does not own more than 25% of a capital of a company.

5.2 Tsvetelina Hristova – member of the Board

Tsvetelina Hristova is not a partner with unlimited liability and does not own more than 25% of a capital of a company.

5.3 Aheloy 2012 OOD – member of the Board

Aheloy 2012 OOD is not a partner with unlimited liability and does not own more than 25% of a capital of a company, excluding the following:

- Aheloy Imo 2014 EAD, EIK 203174990 – sole shareholder.

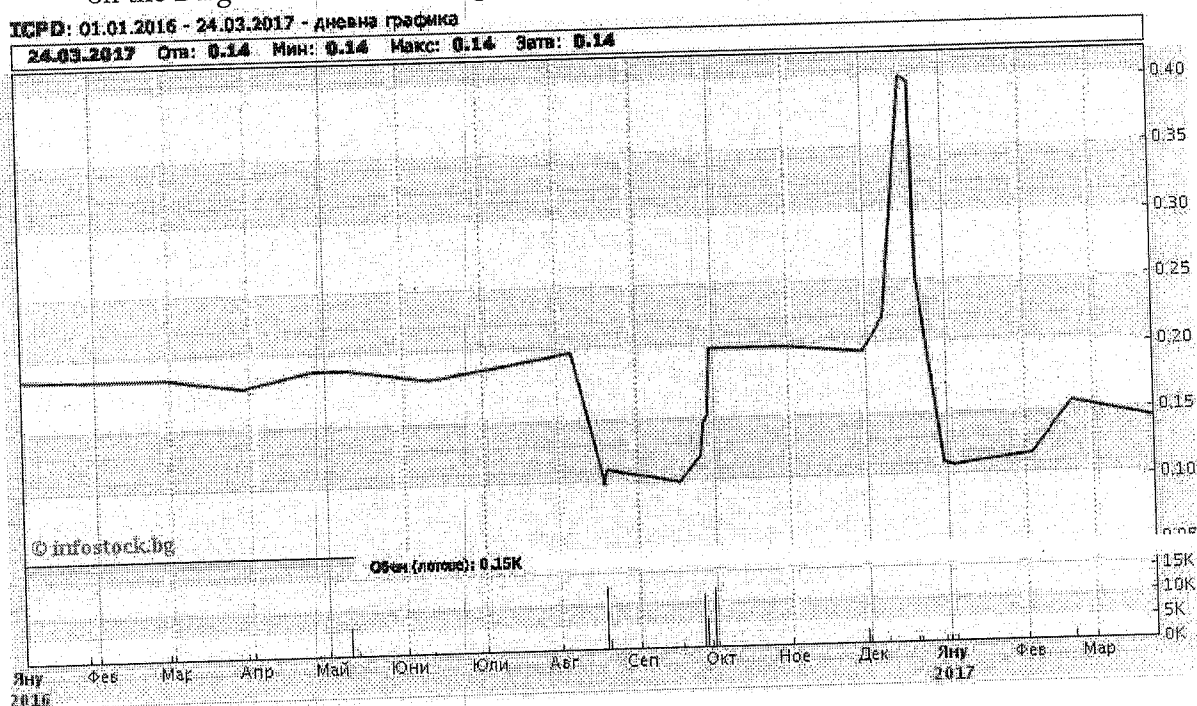
Aheloy 2012 OOD does not take part in management/control organs of other companies.

6. Information as per art. 240 b of the Commercial law

In 2016 the company has not concluded deals as per art. 240 b of the Commercial Law, namely contracts with the members of the board and their affiliates, which go beyond its ordinary activities or significantly deviate from market conditions.

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

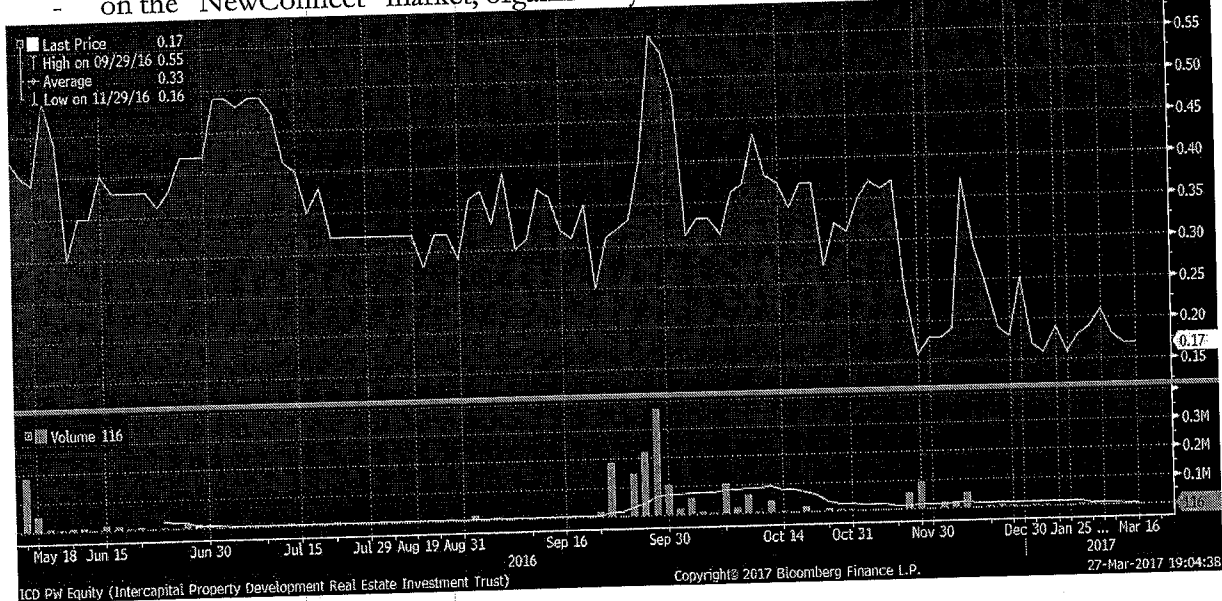
- on the Bulgarian Stock Exchange – Sofia AD (currency - BGN)



Source: www.infostock.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: **Bloomberg**

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

VIII. Planned economic policy

In 2017 the company expects improvement on the holiday property market and in this regard resuming income from sales of properties in Marina Cape vacation complex.

The company will continue to generate revenue from the management of the vacation complex through its subsidiary Marina Cape Management.

The company will continue to work hard in order to restructure its obligations in order to have them regularly serviced and to improve its liquidity.

Despite of the positive trends on the capital market in Bulgaria in the second half of 2016, the company does not plan new issues of shares or bonds in 2017 due to the volatility and uncertain signals from the world capital markets.

IX. Additional information under Appendix No. 10 (pursuant to Art. 32, para 1, p. 2, Art. 32a, par. 2, p. 41a, par. 1 pt. 1 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 company has not generated income from the sales of properties in 2016. Although there was significant movement in the property market in 2016, the demand for properties at the Black sea remained limited. Currently Intercapital Property Development ADSIC has signed contracts for the sale of properties of total size of approximately 4 962.67m2 in Marina Cape vacation complex.

Revenues ('000 BGN)	2016	2015
<i>Net revenues from the sale of:</i>		
1. Finished goods		
2. Goods for sale		60
3. Services	380	402
4. Other	13	762
Total:	393	1 224

For an eighth consecutive year in 2015 “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 its 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 2016 that revenue is in the amount of BGN

380 thousand. In comparison, during 2015 these revenues amounted to BGN 402 thousand. It should be clarified that ICPD reports as revenues 100% from the profit, realized by the subsidiary from managing the properties and then reports as expenses for outsourced services 30% of this amount.

In 2016 the Company also realized extraordinary income in the amount of BGN 2 455 thousand. BGN 1 770 thousand represent a partial write-off of liabilities from one the creditors, namely Grand Borovets 2013 EOOD. The remaining part amounting to BGN 685 thousand represent income from written-off liabilities towards customers/contractors of the Company, whereas a higher percentage of them have been written off in relation to failure to fulfil obligations of the clients/contractors of the Company in accordance with the contracts signed.

2. Information about the revenues allocated by separate categories of activities, domestic and external markets as well as information about the sources for supply of materials required for the manufacture of commodities or the provision of services with indication of the degree of dependence in relation to any individual seller or buyer/user, where if the share of any of them exceeds 10 per cent of the expenses or revenues from sales, information shall be provided about every person separately about such person's share in the sales or purchases and his relations with the issuer

The main buyers of the properties which the Company sells are concentrated in the following countries: Russia, Poland and to a lesser degree the Czech Republic, Slovakia, Lithuania and other former Russian republics. In 2016 the company has not generated income from sales of properties.

During the last two years, the Company has focused on reaching new geographical markets for its sales. The company started business relations with partners from China by offered its properties for sale.

The company expects a revival of the holiday property market in 2017 and activation of sales of the properties in Marina Cape vacation complex.

As a special purpose vehicle "Intercapital Property Development" ADSIC uses the services of outside companies in its operating activity. For the construction of the "Marina Cape" vacation complex in the village of Aheloy, Burgas District and the "Borovets Grand" project in the "Borovets" holiday complex the Company has used and shall use the services of the following companies:

- Midia Group AD, for the construction of the buildings
- Vodokanalstroy EOOD – for projection and construction of the water supply and the sewage installations
- Telelink AD – for the implementation of weak and strong current electric installations
- Nikmar OOD – for supply of terracotta, tiles and other ceramic products
- Nikconsult EOOD – for projection of the buildings
- ET Jo 44 – ventilation and air conditioning
- Consulting and engineering group OOD – for independent construction audit

3. Information about concluded big transactions and such of material importance for the issuer's activity

In 2016 “Intercapital Property Development” ADSIC has not concluded large transactions and transactions that are essential for the Company’s activity.

Nevertheless it is worth mentioning that in 2016, ICPD realized extraordinary income in the amount of BGN 2 455 thousand. BGN 1 770 thousand represent a partial write-off of liabilities from one the creditors, namely Grand Borovets 2013 EOOD. The remaining part amounting to BGN 685 thousand represent income from written-off liabilities towards customers/contractors of the Company, whereas a higher percentage of them have been written off in relation to failure to fulfil obligations of the clients/contractors of the Company in accordance with the contracts signed.

On 01.02.2016 the company signed an Annex to a Contract with “VEI Project” AD, dated 30.12.2011, according to which the parties agree the term in which Intercapital Property Development ADSIC must pay VEI Project the remainder of the sale price of the properties, subject to the contract, which as of 01.02.2016 is in the amount of 841 989.30 EURO, to be extended to 30.09.2021, whereas the conditions for payment are altered as follows:

- Annual interest in the amount of 6.5% for the extended term of the contract, applied as of 01.02.2016
- Maturity 30.09.2021
- Interest payment – every month, no later than the last day of the month, until the maturity date
- Payment of remainder of the sale price – in 9 equal installments starting January 30, 2021 until September 30, 2021

4. Information about the transactions concluded between the issuer and related parties during the reporting period, proposals for conclusion of such transactions as well as transactions which are outside its usual activity or substantially deviate from the market conditions, to which the issuer or its subsidiary is a party, indicating the amount of the transactions, the nature of relatedness and any information necessary for an estimate of the influence over the issuer’s financial status

(‘000 BGN)	2016	2015
Sales/Purchases of goods and services		
- Services executed by “Marina Cape Management” EOOD for “Intercapital Property Development” ADSIC	224	392
- Services executed by “Intercapital Property Development” ADSIC for “Marina Cape Management” EOOD	380	402

(‘000 BGN)	2016	2015
Sales/Purchases of goods and services		
- Services executed by “Marina Cape Tours” EOOD for “Intercapital Property Development” ADSIC	0	0
- Services executed by “Intercapital Property Development” ADSIC for “Marina Cape Tours” EOOD	0	0

5. Information about events and indicators of unusual for the issuer nature, having substantial influence over its operation and the realized by it revenues and expenses made; assessment of their influence over the results during the current year

In 2015 there were no events of unusual nature for “Intercapital Property Development” ADSIC, having substantial influence over its operation and the realized by it revenues and expenses made.

It should be noted yet that in 2016 Piraeus Bank Bulgaria AD submitted a claim for opening insolvency proceedings for ICPD as per art. 629, par 2 of the Commercial Law. In relation to the latter, a case No: 2209/2016 of Sofia City Court was initiated.

On 13.03.2017 ICPD was informed that by decision on 16.02.2017 the court has discontinued the proceedings of the hearing, initiated by the claim of Piraeus Bank Bulgaria AD for opening insolvency proceedings against Intercapital Property Development ADSIC.

6. Information about off-balance kept transactions – nature and business objective, indication of the financial impact of the transactions on the operation, if the risk and benefits of these transactions are substantial for the assessment of the issuer’s financial status

In 2016 there were no transactions for “Intercapital Property Development” ADSIC that are kept off-balance.

7. Information about holdings of the issuer, about its main investments in the country and abroad (in securities, financial instruments, intangible assets and real estate), as well as the investments in equity securities outside its economic group and the sources/ways of financing

As of 31.12.2016 “Intercapital Property Development” ADSIC has the following investments in subsidiary companies:

Name of the subsidiary company	2015 ‘000 BGN	share %	2014 ‘000 BGN	share %
Marina Cape Management EOOD	5	100%	5	100%

As of 31.12.2016 the book value of the land owned by the Company is in the amount of BGN 5 025 thousand, the value of the Company’s investment property is BGN 35 637 thousand, the value of work in progress is BGN 7 073 thousand and the value of unfinished production (in connection with the construction of residential complex Marina Cape) is BGN 1 056 thousand.

As of the end of 2016 the Company has cash funds and money in current accounts in the amount of BGN 34 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 31.12.2016 “Intercapital Property Development” ADSIC has the following obligations to financial institutions:

Creditor	Current EUR	Account, Non-Current, EUR	Maturity
Piraeus Bank Bulgaria AD	3 131 180,38	-	30.10.2015
Piraeus Bank Bulgaria AD	2 562 680.06	-	30.01.2014
Piraeus Bank Bulgaria AD	2 535 185.23	-	30.01.2014
Texim Bank AD	67 500.00	-	20.12.2018

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 № 736/2008 from 07.07.2008 - 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.

1.3 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 from 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 “Grand Borovets 2013” EOOD

Contract for sale-purchase of receivables pursuant to Contract for a credit № 716/18.09.2008 and Contract for a credit № 717/18.09.2008 (cession), pursuant to which the Creditor of the Company DSK Bank EAD has transferred its receivables arising from the two contract for credit on total amount of EUR 5 832 886.5 to Grand Borovets 2013 EOOD.

- 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.
- Pledge contract on receivables from contracts for sale of real estate properties, described in detail in an enclosure to the Loan contract № 717/2008 concluded on 19.09.2008, entered in the Central Pledges Register on 14.10.2009.

Pursuant to the agreement concluded on 27.12.2013, between “Grant Borovets 2013” EOOD from one side, ICPD ADSIC as principal debtor and “Marina Cape Management” EOOD, “Marina Cape Tours” EOOD and Velichko Stoichev Klingov as co-debtors, the amount of the debt of ICPD ADSIC outstanding towards “Grand Borovets 2013” EOOD was reduced by BGN 2 000 000. Additionally, it was agreed that the contractual mortgage on the property with identification number 65231.918.189, located in Samokov, Sofia municipality, Sofia district, together with the building on that property, an apartment hotel complex with related facilities with identification number 65231.918.189.2, which secures the claim of “Grand Borovets 2013” EOOD, is to be removed. The removal of the mortgage was registered on 21.01.2014.

In 2014 an additional BGN 200 thousand from ICPD’s obligations towards Grand Borovets 2013 EOOD were written off. In addition the mortgage on the commercial properties located in Vacation Complex Marina Cape, that secured the receivables of the new creditor was removed. In 2015 an additional BGN 600 thousand from the above mentioned obligation of ICPD towards Grand Borovets 2013 EOOD were written off.

In 2016 an additional write-off of BGN 1 770 thousand from the aforementioned obligation of “Intercapital Property Development” ADSIC towards “Grand Borovets 2013” EOOD.

3) Towards “BG Invest Properties”AD

- Contract for sale-purchase of receivables dated 05.04.2013, concluded between Investbank AD and BG Invest properties EAD, pursuant to which the bank has transferred its receivables from the Company’s credit amounting to BGN 240 000, to the new creditor “BG Invest Properties” EAD.
- Deed of establishment of a mortgage since 29.07.2013, act № 161, Volume III, registration № 3115, № case 538/2013, at a notary Gergana Nedina, collateral of a bank loan agreement of 08.03.2013 on the following property located in vacation complex Marina Cape, town Aheloy and property of ICPD ADSIC: sports and recreation center “Fitness Centre” with ID 00833.5.409.21, Aheloy, Municipality Pomorie, Burgas Region, an area of 214.00 sq. m., with adjacent parts: 33 square meters, along with their common parts of the building rights on the land.

4) Towards Teximbank AD

- Loan Contract for receiving working capital funds from 09.12.2013, concluded between Teximbank AD and Intercapital Property Development ADSIC, subsequent to which Teximbank AD has provided to ICPD, in its capacity of loan borrower, a loan in the amount of 130 000 (one hundred and thirty thousand) euro intended for working capital.
- Notary Deed for establishing a contractual mortgage of 05.02.2014, act 53, vol. I, reg. № 358, case №51/2014 of notary Gergana Nedina, collateral of the receivables in relation to the loan contract from 09.12.2013, on real estate owned by the Company, namely real estate properties located in Vacation Complex Marina Cape, built in property with identification № 00833.5.409 (zero zero eight three three point five point four zero nine), Aheloy, Pomorie municipality, Burgas district, Prechistvatelnata zone.

Additionally the company has issued a debenture loan, with a principal/nominal amount as of 31.12.2016 of EUR 2 500 000.

The eventual risk of non-payment the full amount of the principle and/or the full amount of the interest payments is guaranteed by Insurance Policy № 29 0000 1753/06.08.2010 and an Annex No.4 to it dated 11.02.2015, concluded between “Intercapital Property Development” ADSIC, CB “Investbank” AD, acting as Trustee on behalf of all insured bondholders and the Insurance Company – “Euro Ins” AD. The insurance policy is valid till the last maturity date of the corporate bond issue.

With regard to a commitment assumed by the Company pursuant to a decision of the General Meeting of the bondholders, held on 06.08.2010 for setting up a mortgage upon 7 835,99 sq.m. of commercial areas in the vacation complex “Marina Cape” in favour of the bondholders’ trustee CB “Investbank” AD, “Intercapital Property Development” ADSIC has signed a Notary deed for setting up of a contractual mortgage, deed № 158, volume IV, reg. № 3289, file № 732 from 01.09.2010 of notary Gergana Nedina – acting in the region of Regional Court Pomorie, entered with reg. № 1808 from 01.09.2010, deed № 80, volume 1, file № 1213 in the Registry Office – Pomorie.

With regard to a commitment assumed by the Company pursuant to a decision of the General Meeting of the bondholders, held on 06.02.2013 for setting up a mortgage upon zoned property with ID 00833.5.409, with address: town Aheloy, region Prechistvatelnata, with size 40 002 sq.m. in favor of the bondholders’ trustee CB “Investbank” AD, on 06.03.2013, in front of Mrs Zhiva Barantieva – assistant notary to Mrs Gergana Nedina, a notary with activity within the region of Regional Court – the town of Pomorie, entered in the register of the Notary Chamber under No. 607, a notary deed was signed for the establishment of a mortgage in favour of Investbank AD upon the above-mentioned property. The notary deed is entered in the Registry Agency, Service Registry – town Pomorie, with entry No. 493, act. No. 13, volume 1, file No. 270 dated 06.03.2013.

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 2016 “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 parties.

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

In 2015 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 threats and measures which the issuer has undertaken or is to undertake in order to eliminate them

Due to the fact that the ICPD failed to perform the due interest and principal payment on the bond loan under the repayment plan by 10.02.2016, adopted by the General Meeting of Bondholders held on 02.11.2015, and according to the acts defined by the bondholders in that meeting, the interest rate applied to the rest of the bond issue for the next three-month period beginning on 15.02.2016, remains 5.75% annually.

On 13.03.2016 “Intercapital Property Development” ADSIC paid the interest payments due as of 14.02.2016 in the amount of EUR 39 747 and principal repayment in the amount of EUR 62 500. Due to the delay of the amortization payment the Company paid out to the bond holders a total of BGN 499,31 (or 0,099862 per bond) for the period of 15.02.2016 to 11.03.2016.

Due to the fact that the ICPD failed to perform the due interest and principal payment on the bond loan under the repayment plan by 12.05.2016, adopted by the General Meeting of Bondholders held on 11.02.2015, and according to the acts defined by the bondholders in that meeting, the interest rate applied to the rest of the bond issue for the next three-month period beginning on 15.05.2016, remains 5.75% annually.

On 09.06.2016 “Intercapital Property Development” ADSIC paid the interest payments due as of 14.05.2016 in the amount of EUR 37 999 and principal repayment in the amount of EUR 62 500. Due to the delay of the amortization payment the Company paid out to the bond holders a total of BGN 499,31 (or 0,099862 per bond) for the period of 15.05.2016 to 09.06.2016.

Due to the fact that the ICPD failed to perform the due interest and principal payment on the bond loan under the repayment plan by 11.08.2016, adopted by the General Meeting of Bondholders held on 11.02.2015, and according to the acts defined by the bondholders in that meeting, the interest rate applied to the rest of the bond issue for the next three-month period beginning on 15.08.2016, remains 5.75% annually.

On 08.09.2016 “Intercapital Property Development” ADSIC paid the interest payments due as of 14.08.2016 in the amount of EUR 37 941 and principal repayment in the amount of EUR 62 500. Due to the delay of the amortization payment the Company paid out to the bond holders a total of BGN 499,31 (or 0,099862 per bond) for the period of 15.08.2016 to 08.09.2016.

Due to the fact that the ICPD failed to perform the due interest and principal payment on the bond loan under the repayment plan by 10.11.2016, adopted by the General Meeting of Bondholders held on 11.02.2015, and according to the acts defined by the bondholders in that meeting, the interest rate applied to the rest of the bond issue for the next three-month period beginning on 15.11.2016, remains 5.75% annually.

On 12.11.2016 the Company paid the interest payments due as of 14.11.2016 in the amount of EUR 37 037 and principal repayment in the amount of EUR 62 500. Due to the delay of the amortization payment the Company paid out to the bond holders a total of BGN 537.72,31 (or 0,107543268 per bond) for the period of 15.11.2016 to 12.11.2016.

Due to the fact that the ICPD failed to perform the due interest and principal payment on the bond loan under the repayment plan by 10.02.2017, adopted by the General Meeting of Bondholders held on 11.02.2015, and according to the acts defined by the bondholders in that meeting, the interest rate applied to the rest of the bond issue for the next three-month period beginning on 15.02.2017, remains 5.75% annually.

On 13.03.2017 the Company paid the interest payments due as of 14.02.2017 in the amount of EUR 36 233 and principal repayment in the amount of EUR 122 000. Due to the delay of the amortization payment the Company paid out to the bond holders a total of BGN 1 039.88 (or 0.207975138 per bond) for the period of 15.11.2016 to 15.02.2016.

The company diligently monitors the adherence to the factors set out in the Prospectus of the bond issue. For this purpose, the management of the company has worked hard in several key areas: increasing revenue from sales of real estate and revenue from management of real estate owned by the Company; restructuring of the Company's obligations; increasing the collection of receivables of the issuer. The aim of all these measures is to improve the financial position of the company, including its liquidity position. With regard to increased revenue from sales of property, the company works continuously to find new markets and attract potential buyers, and search for new forms of revenue from sales associated with real estate held by the Company.

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

Currently, the Company has frozen the construction works on the investment project in Borovets resort due to lack of financing. The Company cannot estimate when it would be able to secure financial resources for completing the project Grand Borovets because currently, the market conditions for capital increase are still unfavourable. 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 land 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 advertisement for its 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 completing the project Grand Borovets so that it may function as a hotel. As such, the Company has established contacts and negotiated with several potential investors.

New investment projects would be feasible only after an increase in the capital of the Company, which would be possible when the global financial markets and especially the Bulgarian Stock Exchange 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

"Intercapital Property Development" ADSIC has adopted and implemented policies and procedures governing the effective functioning of the reporting and disclosure information by the company. The code details the various types of information created and disclosed by the company, the processes of internal company document, the different levels of access to the types of information of those responsible and the deadlines for processing and managing information flows. The established system of risk management ensures the effective implementation of internal control in the creation and management of all company documents including financial statements and other regulated information, which the Company is obliged to disclose in accordance with the legal provisions.

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

There have been no changes in 2016.

17. Information on the amount of the remunerations, rewards and/or the benefits of each member 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 cannot exceed 10 minimum monthly salaries. 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.

During 2016 the Board of Directors of the Company have received no remunerations.

By decision of the General Meeting of Shareholders, the Board of Directors may receive bonuses amounting to no more than 0.1% of the Company's profit before distribution of dividends for each member of the Board of Directors, but not more than 0.5% for the entire Council.

The Company does not owe any other amounts and / or benefits in kind and not set aside or accrued amounts for pensions, benefits or other retirement compensations of the Board of Directors.

Members of the Board of Directors did not receive remuneration or compensation from subsidiaries of the issuer and these are not set aside or accrued amounts for pensions, benefits or other retirement compensations of the Board of Directors in 2016

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 31.12.2016 the members of the Board of Directors own shares of the company as follows:

	<i>Number of shares</i>	<i>% from the capital</i>
Velichko Klingov ¹	43 111	0,72%

As of 31.12.2016 Velichko Klingov has concluded REPO Contracts with a collateral – shares of “Intercapital Property Development” ADSIC (total number of 37 806 shares), as a seller (borrower) and those shares are part of the total number of shares stated above.

As of 31.12.2014 the members of the Board of Directors own shares of the company as follows:

	<i>Number of shares</i>	<i>% from the capital</i>
Velichko Klingov*	77 111	1.28%

* As of 31 Dec 2015 Velichko Klingov has concluded REPO Contracts with a collateral – shares of “Intercapital Property Development” ADSIC (a total of 37 806 in count), as a seller (borrower) and these shares are part of the ones indicated 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 bondholders.

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

Below there is information presented on all pending cases:

20.1 CIVIL AND ARBITRARY HEARINGS

20.1.1. Civil Case № 14099/2013 in the inventory of Sofia City Court, Civil Department, 1-14 unit, instituted for payment of sums from Intercapital Property Development ADSIC in favour of Janet Breddy, in relation to an agreement between the parties

The claim is in the amount of 65 925 euro. By decision dated 30.07.2014 the claim is honoured in full. The decision of the Sofia City Court is confirmed by decision of the Sofia Court of Appeal. A

cassation request has been submitted. A closed sitting has been scheduled at the Supreme Cassation Court for 07.03.2016 at which the court should take decision on the admissibility of the request.

As a result of the decision of the Sofia Court of Appeal, Janet Breddy has obtained a receiving order and an enforcement case for collecting the awarded amounts has been initiated.

20.1.2. Civil Case № 395/2014 r. in the inventory of Regional Court – Pomorie, Civil Department, unit I, initiated from Roman Anatolievich Burlakov in order that the preliminary contract for purchase of real estate be declared final. In addition a claim for 6 550 euro compensation in relation to the preliminary contract has been made.

By court order of Regional Court Nessebar, confirmed by District court Burgas, the claim of the plaintiff to have their property transferred, free of any liabilities is left without consideration by the Court. The order has been appealed by the plaintiff before the Supreme cassation court, where by final order from 14.04.2015, the claim in this part is left without consideration.

By decision of 26.05.2015 the court honoured the claim for declaring the preliminary contract final and the claim for payment of compensation in the amount of 6 550 euro. The decision has been appealed before District court Burgas. By decision 17.12.2015 District court Burgas has confirmed the decision of the court of lower instance. Currently an appeal can be made before the Supreme Cassation Court.

20.1.3 Case № 338/2014 in the inventory of Regional Court – Pomorie, Civil Department unit IV, initiated by Anatoli Ivanovich Burlakov in order that the preliminary contract for purchase of real estate be declared final. In addition a claim for 6 670 euro compensation in relation to the preliminary contract has been made.

By decision on 30.03.2015 the claim has been honoured in full, whereas the court has declared the contract final and has judged a compensation in the amount of 6 670 euro to the plaintiff. The decision is in force.

20.1.4 Civil Case № 20309/2014 in the inventory of Sofia City Court, Civil Department 1-6 unit, initiated by Aleksei Anatolievich Putintsev and Natalia Alikovna Putintseva against Intercapital Property Development ADSIC for payment of sums regarding a preliminary contract for purchase of real estate, whereby the plaintiffs consider the contract terminated.

The price of the claim is in the amount of 55 000 euro. The hearing was set for decision on 08.12.2015 but no decision has been issued yet.

After the hearing, the Sofia City Court rejected entirely the claims of plaintiffs. The decision was appealed by the plaintiff, and a case instituted with reference number № 3254/2016 on the inventory of Sofia Court of Appeal.

By decision form 14.11.2016 of Sofia Court of Appeal, the decision of Sofia City Court was cancelled and rendered another decision that the claim for the sum of 55,000 euros was fully upheld. Legal interest from the filing of the application (on 17.12.2014) until the date of payment and the application of the statutory interest for the period from 12/08/2014 until 17/12/2014 was honoured to 3 836.21 lev, being rejected for the amount to the sum claimed by 5 993.17 lev.

The decision of the Sofia Court of Appeal was appealed by the Company within the Supreme Court of Cassation.

20.1.5 Civil Hearing № 28481/2014 in the inventory of Sofia Regional Court, Civil Department, unit 39 initiated by „Vodosnabdyavane i Kanalizacia“ EAD for payment of water delivered to v.c. Marina Cape

The hearing was initiated in relation to a claim from „Vodosnabdyavane i Kanalizacia“ EAD whereby it is claimed that the court admit for certain that amounts of water have been delivered to v.c. Marina Cape in favour of Intercapital Property Development, according to invoices issued for the period 21.02.2013, to 17.12.2013, which have not been paid. According to the plaintiff the total value of the delivered water is in the amount BGN 67 383,34. A response to the claim has been submitted, by which it has been fully challenged. Scheduling of the case in open proceedings is to be carried out.

20.1.6 Civil Hearing № 45799/2014 in the inventory of Sofia Regional Court, Civil Department, 32 unit, plaintiff Alexander Sergeevich Solovyov vs. Intercapital Property Development ADSIC for payment of sums from preliminary contracts for the purchase of real estate, which contracts are considered terminated by Solovyov.

The amount claimed is in the amount of 14 000 euro as a partial claim of 127 000 euro formulated as follows:

- A claim for 21_3, located in the residential complex "Marina Cape" – city of Aheloi for an amount of 7000 euros, partial claim paid upon a preliminary agreement for the property in the amount of 92,000 euros;
- A claim for 34_13, located in the residential complex "Marina Cape" - city. Aheloi is sued for an amount of 7000 euros, partial claim paid on a preliminary agreement for the property in the amount of 35,600 euros

By decision from the 31.08.2015, the claim is upheld. The decision was appealed within the Sofia City Court. The appeal was initiated with reference № 597/2016 by description of SCC. By decision from the 11.10.2016, the Sofia City Court confirmed the decision of the Sofia Regional court. The decision was appealed on time and at the time the appeal is pending.

In view of the present reprehensible decision of Sofia City Court, the plaintiff received a writ of execution against "Intercapital Property Development" ADSIC for payment of the amount awarded i.e. 35,600 euros.

20.1.7. Civil Case № 20308/2014 in the inventory of Sofia City Court, Civil Department I-11 unit, initiated by Nina Yurievna Tereschenko against Intercapital Property Development ADSIC for payment of sums regarding a preliminary contract for purchase of real estate, whereby the plaintiff considers the contract terminated.

The case was initiated by Nina Yurievna Tereschenko Skomorovski in relation to legal right art.55 of the Law for Contracts and Liabilities, under which it is requested that Intercapital Development ADSIC is judged to return payments made by the plaintiffs in relation to preliminary contract for purchase of real estate located in vacation complex Marina Cape - Aheloy. The amount of the claim is in the amount of 94 000 euro, together with the legal interest on this amount, due from the date of the claim to its full payment.

A response to the claim has been submitted, by which it has been fully challenged. The first hearing was held on the 13.12.2016. Due to assignment of judicial accounting expertise the case was adjourned and the next meeting will be held on the 06.06.2017.

20.1.8. Civil Case №15692/2015 in the inventory of Sofia City Court, Civil Department, plaintiff Alexander Sergeevich Solvyov vs. Intercapital Property Development ADSIC for payment of sums from preliminary contracts for the purchase of real estate, which contracts are considered terminated by Solovyov.

The price of the claims is as follows:

- For 21_3 located in vacation complex Marina Cape a claim for 85 000 euro has been made, the remainder of the totally paid price amounting to 92 000 euro.
- For 34_13 located in vacation complex Marina Cape a claim for 28 600 euro has been made, the remainder of the totally paid price amounting to 35 600 euro.

A response to the claim has been issued and the case is scheduled for the 12.05.2017.

20.1.9 Commercial Hearing No.:6/2015 in the inventory of District court Burgas, Commercial Department, Unit I, initiated by Maxim Viktorovich Goncharov against Intercapital Property Development ADSIC for payment of sums regarding a preliminary contracts for purchase of real estate, whereby the plaintiffs consider the contract terminated.

The hearing was initiated by Maxim Viktorovich Goncharov in relation to legal right art.55 of the Law for Contracts and Liabilities, under which it is requested that Intercapital Development ADSIC is judged to return payments made by the plaintiff for four preliminary contracts for purchase of real estate located in vacation complex Marina Cape - Aheloy. The amount of the claim is in the amount of 80 503.84 euro, together with the legal interest on this amount, due from the date of terminating the contracts to the full payment of the amount.

In accordance with the law for territorial jurisdiction, "Intercapital Property Development" ADSIC's case was terminated and transferred to the competent Sofia City Court, where the initiated civil case was entered with reference number № 5304/2015. By decision from 12.12. 2016 SCC upheld wants to EUR 70 503, 84 euros, together with legal interest from 07.01.2015 until the date of final payment. The claim was rejected for the amount to the total claim of 80 503.84 euros. The decision was appealed by the Company and the appeal is currently pending.

20.1.10 Civil Hearing No.:223/2015 in the inventory of District court Burgas, Civil Department, Unit I, initiated by Lyudmila Nikolaevna Skomorovska and Aleksander Viktorovich Skomorovski against Intercapital Property Development ADSIC for payment of sums regarding a preliminary contract for purchase of real estate, whereby the plaintiffs consider the contract terminated.

The case was initiated by Lyudmila Nikolaevna Skomorovska and Aleksander Viktorovich Skomorovski in relation to legal right art.55 of the Law for Contracts and Liabilities, under which it is requested that Intercapital Development ADSIC is judged to return payments made by the plaintiffs in relation to preliminary contract for purchase of real estate located in vacation complex Marina Cape - Aheloy. The amount of the claim is in the amount of 67 000 euro, together with the legal interest on this amount, due from the date of the claim to its full payment.

On our plea of lack of jurisdiction of the Burgas District Court to hear the case, the case was suspended and sent to the Sofia City Court. The Sofia City Court instituted civil case № 8306/2015 on the inventory of Sofia City Court.

By decision of 09.03.2016, the claims are fully respected. The decision was appealed by the Company. In its appeal, the Company instituted № 3458/2016 on the inventory of Sofia Court of Appeal. After meeting on 09.02.2017, the case was scheduled for judgment and is expected court ruling on its appeal.

20.1.11 Civil Case № 107/2014 in the inventory of Regional Court – Pomorie, Civil Department unit I, initiated by Andrey Yurievich Ragushin in order that the preliminary contract for purchase of real estate be declared final.

The claim was upheld in full by the District Court - Pomorie. The decision was appealed within the district court - Burgas. District Court - Burgas upheld the first instance. The Company has filed an appeal before the Supreme Court of Cassation, which is to determine whether it is admissible to the substantive examination or in a meeting, scheduled for 05.04.2017.

20.1.12 Civil Hearing No.: 2127/2015 in the inventory of District court Burgas, initiated by Svetlana Nikolaevna Zaharova against Intercapital Property Development ADSIC for payment of sums regarding a preliminary contract for purchase of real estate, whereby the plaintiffs consider the contract terminated.

The case was initiated by Svetlana Nikolaevna Zaharova in relation to legal right art.55 of the Law for Contracts and Liabilities, under which it is requested that Intercapital Development ADSIC is judged to return payments made by the plaintiffs in relation to preliminary contract for purchase of real estate located in vacation complex Marina Cape - Aheloy. The amount of the claim is in the amount of 43 000 euro, together with the legal interest on this amount, due from the date of the claim to its full payment.

On our plea of lack of jurisdiction of the Burgas District Court to hear the case, the case was suspended and sent to the Sofia City Court. The Sofia City Court instituted civil case № 3725/2016 on the inventory of Sofia City Court.

By decision of 07.03.2016, the Sofia City Court upheld entirely the claim against the Company. Currently run up to 04.04.2017 on submission of an appeal by the company.

20.1.13 Arbitrary case No: 10/2015 in the inventory of the Arbitrary court for commercial claims – Burgas, initiated by Midia AD against Intercapital Property Development ADSIC

The amount of the claims is BGN 500 000, as a partial claim from the total amount of BGN 6 430 457.72. By decision of 29.02.2016, the claims have been fully respect the decision entered into force. Based on the decision a writ has been issued against "Intercapital Property Development" ADSIC.

20.1.14 Civil Case № 12417/2015 in the inventory of Sofia City Court, initiated by Elisaveta Vidjesingh against Intercapital Property Development ADSIC for payment of sums regarding a preliminary contract for purchase of real estate, whereby the plaintiff considers the contract terminated.

- claim for payment of compensation in the amount of BGN 1039 as a result of non-compliance with the obligation to transfer the property, together with the legal interest, until payment in full.
- claim in the amount of 32 580 euro, representing the double size of the paid deposit according to art.22 of the deposit contract, together with the legal interest, until payment in full.
- claim in the amount of BGN 5 541.53, representing expenses made for the furnishing of the property, together with the legal interest, until payment in full.

With a ruling from the 02.03.2017 all claims were dismissed as unsubstantiated and unfounded. At present the term for appealing the decision is running.

20.1.15 Civil Case № 16919/2015 in the inventory of Sofia City Court, initiated by Genadi Grishin against Intercapital Property Development ADSIC for payment of sums regarding a preliminary contract for purchase of real estate, whereby the plaintiff considers the contract terminated.

The claim is for 105 312 euro, representing the paid purchase price of the property. – apartment 1_11, located in vacation complex Marina Cape, together with the legal interest, until payment in full.

The first hearing was held on 10/24/2016. The case was postponed for 06.05.2017 in order to gather evidence.

20.1.16 Civil Case № 15944/2015 in the inventory of Sofia City Court, initiated by Olga Nekrasova against Intercapital Property Development ADSIC for payment of sums regarding a preliminary contract for purchase of real estate, whereby the plaintiff considers the contract terminated.

The price of the claims is as follows:

- claim in the amount of 48 000 euro, representing the purchase price paid for the property, apartment 32_51, located in vacation complex Marina Cape, together with the legal interest until full payment is received.
- claim for payment of compensation in the amount of 2000 euro as a result of non-compliance with the obligation to transfer the property, together with the legal interest, until payment in full.

After exchange of documentation the case is scheduled for open court meeting on the 11.05.2017.

20.1.17 Enforcement Hearing № 22731/2015 in the inventory of regional court of Sofia for the issuance of and immediate execution and writ of execution for amounts under the credit agreement № 1236/2007 from the 19.10.2007 contracted with “Pireaus Bank Bulgaria”AD.

In favor of the Bank on 05.04.2015 was issued an order for immediate execution and writ of execution was issued for the amount of EUR 250,000 principal.

The company filed an objection towards the issued order for immediate execution and writ.

The Bank has filed a declaration under Art.422 of the Code of Civil Procedure. Under the plea a case with reference № 1501/2016 was issued, on the inventory of Sofia City Court. By order dated 16.02.2017, the court approved the agreement between the parties. As a result of the concluded agreement the Bank has withdrawn the request for the opening of bankruptcy proceedings against the company.

20.1.18 Enforcement Hearing № 22737/2015 in the inventory of regional court of Sofia for the issuance of and immediate execution and writ of execution for amounts under the credit agreement for investment purposes № 736/2008 from the 07.07.2008 contracted with “Pireaus Bank Bulgaria”AD.

In favor of the Bank on 04.06.2015 was issued an order for immediate execution and writ of execution was issued for the amount of EUR 300,000 principal.

The company filed an objection towards the issued order for immediate execution and writ.

The Bank has filed a declaration under Art.422 of the Code of Civil Procedure. Under the plea a case with reference № 777/2016 was issued, on the inventory of Sofia City Court. By order dated 01.03.2017, the court approved the agreement between the parties. As a result of the concluded agreement the Bank has withdrawn the request for the opening of bankruptcy proceedings against the company.

20.1.19 Enforcement Hearing № 9111/2016 in the inventory of regional court of Sofia for the issuance of and immediate execution and writ of execution for amounts under the credit agreemen № 1236/2007 from the 19.10.2007 contracted with “Pireaus Bank Bulgaria”AD.

In favor of the Bank on 14.03.2015 was issued an order for immediate execution and writ of execution was issued for the amount of EUR 500,000 principal.

The company filed an objection towards the issued order for immediate execution and writ.

The Bank has filed a declaration under Art.422 of the Code of Civil Procedure. Under the plea a case with reference № 7106/2016 was issued, on the inventory of Sofia City Court. By order dated 16.02.2017, the court approved the agreement between the parties. As a result of the concluded agreement the Bank has withdrawn the request for the opening of bankruptcy proceedings against the company.

20.1.20 Enforcement Hearing № 9111/2016 in the inventory of regional court of Sofia for the issuance of and immediate execution and writ of execution for amounts under the credit agreemen № 736/2008 from the 07.07.2008 contracted with “Pireaus Bank Bulgaria”AD.

In favor of the Bank on 26.04.2016 an order for immediate execution and writ of execution was issued for the amount of EUR 500,000 principal. The order for immediate execution and writ of execution have both been enacted.

20.1.21 Civil Hearing № 11196/2016 in the inventory of Sofia Regional Court, Civil Department, unit 50 initiated by „Vodosnabdyavane i Kanalizacia“ EAD for payment of water delivered to v.c. Marina Cape

The hearing was initiated in relation to a claim from „Vodosnabdyavane i Kanalizacia“ EAD whereby it is claimed that the court admit for certain that amounts of water have been delivered to v.c. Marina Cape in favour of Intercapital Property Development, according to invoices issued for the period 02.12.2014, to 01.12.2015, which have not been paid. According to the plaintiff the total value of the delivered water is in the amount BGN 57 654,12. The plaintiff wants to be reimbursed for legitimate interest obligations from the date of initiation of proceedings until full payment of debts and expenses for the formation and conduct of the case.

"Intercapital Property Development" ADSIC filed an objection against the enforcement order. „Vodosnabdyavane i Kanalizacia“ EAD has brought the action to take in order to implement.

A case with reference № 5781/2016 has been initiated on the inventory of Sofia City Court, VI-14 squad. The case is pending in a meeting scheduled for 11.04.2017.

20.1.22 Civil Hearing № 1727/2016 in the inventory of Sofia Regional Court, Civil Department, unit 50 initiated by „Vodosnabdyavane i Kanalizacia“ EAD for payment of water delivered to v.c. Marina Cape

The hearing was initiated in relation to a claim from „Vodosnabdyavane i Kanalizacia“ EAD whereby it is claimed that the court admit for certain that amounts of water have been delivered to v.c. Marina Cape in favour of Intercapital Property Development, according to invoices issued for the period 21.01.2014, to 18.12.2014, which have not been paid. According to the plaintiff the total value of the delivered water is in the amount BGN 57 654,12. The plaintiff wants to be reimbursed for legitimate interest obligations from the date of initiation of proceedings until full payment of debts and expenses for the formation and conduct of the case.

"Intercapital Property Development" ADSIC filed an objection against the enforcement order. „Vodosnabdyavane i Kanalizacia“ EAD has brought the action to take in order to implement.

A case with reference № 7255/2016 has been initiated on the inventory of Sofia City Court. The case is pending in a meeting scheduled for 17.05.2017.

20 Enforcement Hearings

20.2.1 Enforcement Hearing № 831/2013 in the inventory of bailiff Silvia Koseva, reg. № 809 of CPCB, region – District Court Veliko Turnovo

The enforcement hearing is initiated in relation to receiving orders issued in favour of Teimur Yurievich Bayramov and Irina Feodorovna Bayramova. The total amount due in relation to the agreement is 83 060,26 euro and 9 749 BGN. The enforcement proceedings are currently at a halt.

20.2.2 Enforcement Hearing № 692/2014 in the inventory of bailiff Stanimira Nikolova, reg. № 805 of CPCB, region District Court Burgas

The enforcement hearing is initiated according to receiving order issued in favour of Natalia Borisovna Krasutskaya for the amount of 60 122,21 BGN. The enforcement proceedings are currently at a halt.

20.2.3 Enforcement Hearing № 671/2015 in the inventory of bailiff Stanimira Nikolova, reg. № 805 of CPCB, region District Court Burgas

Enforcement proceedings have been instituted and held on the basis of a writ of execution issued in favour of "PIRAEUS BANK BULGARIA" AD and detailed in Item.20.1.20 above. Enforcement proceedings are currently pending.

20.2.4 Enforcement Hearing № 983/2016 in the inventory of bailiff Ivelina Bozhilova, reg. № 800 of CPCB, region District Court Burgas.

Enforcement proceedings have been instituted and held on the basis of a writ of execution issued in favour of "PIRAEUS BANK BULGARIA" AD and detailed in Item.20.1.19 above. Enforcement proceedings are currently pending.

20.2.5 Enforcement Hearing № 1632/2015 in the inventory of bailiff Tanya Madzhova, reg. № 803 of CPCB, region District Court Burgas

Enforcement proceedings have been instituted and held on the basis of a writ of execution issued in favour of "TELELINK" EAD for the sum of BGN 497 953,39. Enforcement proceedings are currently pending.

The enforcement case has held public sale of mortgaged in favour of "TELELINK" EAD properties as follows:

Independent property identifier № 00833.5.409.4.1., Representing 5_1 apartment, located in a residential complex "Marina Cape" - city Aheloy;

Independent property identifier № 00833.5.409.4.4., Representing 6_1 apartment, located in a residential complex "Marina Cape" - city Aheloy;

Independent property identifier № 00833.5.409.5.1., Representing 7_1 apartment, located in a residential complex "Marina Cape" - city Aheloy;

Independent property identifier № 00833.5.409.7.13., Representing 11_3_2 apartment, located in a residential complex "Marina Cape" - city Aheloy;

Independent property identifier № 00833.5.409.18.11., Representing 30_7 Studio, located in a residential complex "Marina Cape" - city Aheloy.

By decree award from 29.11.2016, the properties have been awarded in favour of "TELELINK" EAD. Based on the award of the property the repaid obligations under the enforcement case totalling BGN 387 537.50.

20.2.6 Enforcement Hearing № 50/2015 in the inventory of bailiff Delyan Nikolov, reg. № 804 of CPCB, region District Court Burgas

Enforcement proceedings have been instituted on the basis of a writ of execution issued in favour of Alexander Sergeyevich Solovyev for the sum of BGN 39 500.59 lev. Enforcement proceedings have been instituted on the basis of the writ of execution issued in gender Solovyev in the case described in paragraph. 20.1.6 in - above. The enforcement case has conducted inventory of three properties owned by the company

- Independent property with identifier 00833.5.409.9.4 representing Apartment 14_2, located in a residential complex "Marina Cape" - city. Aheloy;
- Independent property identifier 00833.5.409.25.22 representing Apartment 37_22, located in a residential complex "Marina Cape" - city. Aheloy;
- Independent property identifier 00833.5.409.26.19 representing Apartment 38_16, located in a residential complex "Marina Cape" - city. Aheloy;

20.2.8 Enforcement Hearing № 850/2016 in the inventory of bailiff Ivanka Mindova, reg. № 704 of CPCB, region District Court Burgas

Enforcement proceedings have been instituted on the basis of a writ of execution issued in favour of Nedyalko Ivanov Kalatchev for the sum of EUR 64,006. Enforcement case is pending at the time.

21. Information 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

Date: 20.03.2017

Signature:

/Velichko Klingov – CEO/

