FAIR PLAY PROPERTIES REIT

APPENDIX TO THE ANNUAL FINANCIAL STATEMENTS

As at 31st December, 2015

1. **HIGHLIGHTS**:

Fairplay Properties REIT is a special investment purpose Company for securitization in real estates, in accordance with SPIF (Special Investment Purpose) Act. Company's subject of activity is investing of money, accumulated by issuing of securities, in real estates (securitization in real estates) by means of buying rights of properties and other corporeal rights related to real estate properties, executing constructions and improvements, with the purpose of property management, letting, leasing and sale.

The Company was established at Incorporation Assembly, held on 15.07.2005 and registered with the Trade Register under court decision № 1/28.07.2005 of the Sofia City Court, Company file № 8851 from 28.07.2005, registered in the Trade Companies register under № 95723, vol. 1273, p. 149. The Company is reregistered in the Trade Register with the Register Agency on the 08.04.2008.

In accordance with the **Special Investment Companies Act** Fair Play Properties REIT has a one-tier management system.

The Company is managed by a Board of Directors consisting of:

- **Manyu Todorov Moravenov –** Chairman of the Board of the Directors and Chief Executive Director;
- **Ivaylo Alexandrova Panov -** Member of the Board of the Directors;
- **Mariana Nikolaeva Doynova –** Member of the Board of the Directors.

The registered and administrative address of the Company is at: 51 B Cherni Vruh Blvd., Sofia

The website of the Company is http://www.fpp.bg

2. ACCOUNTING POLICY

Basis for Preparation of the Financial Reports

The Accounting Act and the International Financial Reporting Standards (IFRS) of the International Accounting Standards Council (IASC) and the notes for their application issued by the Committee for Clarification of the IFRS (CCIFRS) approved by the European Union and applicable in the Republic of Bulgaria.

General Provisions

The most significant accounting policies applied for the preparation of these financial reports are presented below.

Effects of Exchange Rate Fluctuations

The functional currency of the Company is the Bulgarian lev. The currency of presentation of the financial statement is the Bulgarian lev.

The current financial statement is presented in thousands Bulgarian leva.

Foreign currency is every currency different from the functional currency of the Company.

The deals in foreign currency are initially recorded in the functional currency, whereas the central exchange rate of the Bulgarian National Bank (BNB) for the respective currency as on the day of conclusion of the deal is applied with respect to the foreign currency amount.

The exchange rate differences that occur when arranging monetary positions or when recalculating the monetary positions of the Company in accordance with exchange rates, different from those, at which they were recalculated upon initial recognition during the period or in previous financial statements, are recognized as a profit or loss for the period in which they have occurred.

The Company performs re-evaluation of positions in foreign currency towards the end of the accounting period and on a current basis during the respective accounting period.

The positions in foreign currency as on 31st December, 2015 and 2014 are evaluated in the present financial statement in accordance with the closing rate of BNB.

Incomes and Expenses

The Company reports the expenses for performance of the activity on a current basis by economic elements.

Expenses are recognized when there is a reduction of any future economic benefits in connection with reduction of any asset and increase on a liability, which can be duly evaluated. The expenses for the current period are recognized when their respective incomes are reported.

An expense is recognized immediately in the overall income statement, when such expense does not create any future economic benefit or when and to the extent, to which the future economic benefit does not correspond to the requirements or ceases to meet the requirements for asset recognition in the financial status statement.

Expenses are accounted on a current basis. They are evaluated at the fair value of the paid amounts or of the amounts due for payment.

An income is the gross flow of economic benefits within the period, accumulated in the course of habitual activity of the Company, when these flows lead to accrual of the owner's equity of the Company, different from the accruals, related to the contributions of the shareholders.

The Company reports its income from habitual activity on a current basis by types of activities.

The incomes are evaluated at the fair value of the received payment or of the payment due to be received or of the respective remuneration.

The recognition of incomes is performed in compliance with the accounting policy adopted for the following types of incomes:

1. The income form sales of goods and production are recognized, when all of the following conditions are met:

- The Company has transferred to the buyer substantial risks and benefits stemming from the ownership of the goods and the production;
- the Company does not keep subsequent participation in the management of the goods and production, to the extent usually associated with ownership, neither doest it keep effective control over the goods and production sold;
- The amount of the income can be duly assessed;
- It is probable that the economic benefits, associated with the deal, shall be received by the Company; and
- The already made expenses, or those due to be made in connection with the deal, can be duly assessed;

2. The income from sales of services is recognized when the results from a given deal can be duly assessed. The income associated with the deal, is recognized depending on the stage of completion of the deal at the end of the accounting period. The result from a given deal can be duly assessed, when all following conditions have been met:

- The amount of the income can be duly assessed;
- It is probable that the Company will have economic benefits in connection with the deal;
- The stage of completion of the deal at the end of the accounting period can be duly assessed; and
- The expenses made for the deal, as well as the expenses for the finalization of the deal can be duly assessed.

The interim and advance payments made by the clients usually do not reflect the services provided.

The incomes from rentals are recognized on the basis of the term of effect of the rental agreement.

The incomes from sales of real estates (apartments) built by the Company are accounted and stated under "Income from sales of production" in the income statement. The latter are accounted and stated under "Balance value of sold assets" in the expenses part of the income statement, as the expenses for their acquisition are not presented by economic elements.

The incomes from rentals and sales of investment real estate properties are accounted and stated in "Other Expenses".

Current and Non-Current Assets

An asset is classified as current, when it meets the following criteria:

- it expects to realize the asset or it intends to sell or use it in the course of its normal operation cycle;
- holds the asset mainly for trade purposes;
- it expects to realize the asset within twelve months after the end of the accounting period; or
- the asset represents monetary means or money equivalents (in accordance with the definition of IAS 7), except if there is no limitation for the asset to be exchanged and used for settling of a liability within at least twelve months after the end of the accounting period.

An asset is classified as non-current, if it does not meet the classification criteria for current asset.

Real Estate Properties, Machines and Equipment

Assets are reported as real estate properties, machines and equipment when they meet the criteria for recognition of IAS 16 and when they have an acquisition price equal or higher than 500 leva. Assets that have an acquisition price lower than the indicated above are accounted as current expenses within the period of their acquisition, in compliance with the accounting policy adopted. Every real estate property, machine or piece of equipment is evaluated upon its acquisition, at acquisition price, determined in accordance with the requirements of IAS 16.

The real estate properties, machines and equipment are assessed initially at their acquisition price, including the purchase price and all direct expenses associated with the delivery of the asset to the location and its putting into exploitation. Every real estate property, machine or piece of equipment is recognized as an asset only if is probable that the Company shall have future economic benefits from it and if the acquisition price of the respective asset can be duly evaluated.

Subsequent expenses incurred in connection with any given real estate property, machine or equipment, are accounted by increase of the balance value of the respective asset, if the principle for recognition under IAS 16 has been duly observed.

The expenses for current servicing of real estate properties, machines and equipment are accounted in the profit or loss in the moment of their incurrence.

The balance value of any real estate property, machine or equipment is written off upon the sale of the asset or when no further economic benefits from the use of the asset are expected, or upon the release of an asset.

The profit or the loss incurring upon the writing-off of a real estate property, machine or equipment are included in the profit or loss, when the asset is written off, unless IAS 17 requires otherwise in case of sale or reverse leasing. The profits and losses, incurring upon the writing-off of a real estate property, machine or equipment are determined and calculated as the difference between the net incomes from the sale, if any, and the balance value of the asset.

The subsequent evaluation of the real estate properties, machines and equipment is done in compliance with the reassessment model, i. e at reassessed value that is equal to the fair value as on the date of performance of the reassessment, reduced with the subsequently accrued depreciation and devaluation losses.

The real estate properties, machines ad equipment are depreciated in compliance with the linear method for the period of their expected useful life.

The expenses for building and construction of real estate properties that the Company incurs, are classified as "Expenses for acquisition of TFA", and upon their completion and leasing, the newly acquired real estate properties are transformed into investment real estates at their cost price.

Intangible Assets

The Company account the differentiable non-monetary assets without physical substance as intangible assets, when they qualify under the definition for non-material asset and the criteria for recognition of such as provided for in IAS 38.

An intangible asset is recognized, if it is probable that the Company shall receive the future economic benefits related to the asset, and if the value of such asset can be duly determined.

The intangible assets are initially accounted at acquisition price.

The acquisition price of any acquired intangible asset is determined in compliance with the provisions of IAS 38 and includes:

- the purchase price, customs duties and non-refundable taxes incurred in connection with the purchase, whereas the trade reductions and discounts are deducted; and
- all expenses related to the preparation of the asset for its expected purpose of use.

The subsequent expenses that incur in connection with the intangible assets after their initial recognition, are recognized in the income statement in the period of their incurrence, unless they follow the principle of recognition when such expenses are capitalized.

The depreciation is calculated by application of the linear method on the assessed useful life of the respective assets.

The subsequent evaluation of the intangible assets is effected in compliance with the reassessed value model, which represents their fair value as on the date of reassessment.

The chosen line of materiality for the intangible assets of the Company is to the amount of 500 (five hundred) lv.

Devaluation of the Assets of the Company

The separate assets or items, generating cash flows, are reviewed for indications of devaluation on an annual basis, as on the date of preparation of the Annual financial statement, as well as when certain events or changes of circumstances indicate that the spread value of the assets may not be restored.

In cases in which the restorable value of a certain asset is lower than its balance value, the balance value of such asset is to be reduced to the amount of its restorable value. Such value reduction constitutes devaluation loss.

The restorable value constitutes the higher of the fair value, reduced with the expenses for sales of the asset, and the operational value, based on the current value of the forecasted future cash flows, expected to be received from the asset within its useful life.

With the exception of reputation (good standing) for all other assets of the Company, on every statement date, the management determines whether there are indications that the devaluation loss recognized in previous years, could have ceased to exist or if it could have been reduced.

Investment Properties

Lands and/or buildings and/or parts of buildings that kept mostly for the purpose of income collection from rents or for capital value accrual or for both are accounted as investment real estate properties according to IAS 40. A real estate property that is built and developed for future use as an investment real estate property is also accounted as an investment asset.

An investment real estate property is accounted as an asset only when it is probable that the Company shall receive future economic benefits from it and when such benefits and the acquisition price of such asset can be duly assessed.

The investment real estate properties are initially accounted at acquisition price, that includes also the expenses incurred in connection with the acquisition deal in compliance with IAS 40.

After the initial recognition of the investment real estate properties, they are reported after in accordance with the fair value model.

The fair value constitutes the most probable price that can be received on the market on the date of the Annual financial statement.

The changes in the fair value of investment real estate properties are reflected in the profit or loss.

The subsequent expenses, related to the investment real estate properties that are already recognized in the financial statement of the Company are to be added to the balance value of the real estates, when it is probable that the Company shall receive future economic benefits, surpassing the originally determined value of the existing investment estates.

The lands acquired by the Company, over which buildings are planned to be developed, and that meet the criteria for investment real estates, are presented in the financial statement as investment real estates at their fair value.

Tangible Assets

When all of the following conditions have been met:

- the Company acquires land over which buildings (apartments) shall be build and constructed and the value of which shall be redeemed mainly by their sale; and
- the balance value of the land shall be redeemed mainly by its sale or by selling the right to build on it together with the buildings constructed on it;
- the Company presents this land in the statement as a tangible asset ("Incomplete production" or "Production") – an element of the cost price of the building under construction or of the already built building. As an element of the cost price, land is presented at its acquisition price.

The cost price of the real estates already built by the Company the value of which shall be redeemed by means of sale is presented in the Balance sheet as "Production".

Financial Assets

A financial asset is every asset that constitutes:

• monetary means;
• an instrument of the owner's equity of another Company;
• contractual law:
- to receive monetary means or another financial asset from another from another Company; or
- to exchange financial assets or another financial liabilities with another Company under conditions that are potentially favourable for the Company;
• an agreement that is to be or can be arranged with personal instruments of the equity of the issuer and is:

- non-derivative, for which the Company is or can be liable to receive a variable number of instruments of the owner's equity of the Company; or
- derivative that shall be or can be arranged by exchanging a fixed amount of monetary means or another financial asset for a fixed number of Company's own equity instruments.

The financial assets are classified in the following categories under IAS 39:

• Financial assets accounted at fair value in the profit or loss:

- financial asset held for trading;
- defined at its initial recognition by the Company for reporting at fair value in the profit or loss.

• Investments, kept till maturity;
• Credits and receivables;
• Financial assets at disposal for sale.

The Company recognizes a financial asset or a financial liability in the financial status statement only when the Company constitutes a party in the contractual conditions of the instrument.

Upon initial recognition the financial assets are reported at their fair value, plus in cases of financial assets that are not recognized at fair value in the profit or loss, the expenses associated with the deal that are directly related to the acquisition or the issuing of the financial asset.

After initial recognition, the Company evaluates the financial assets as follows:

- at fair value:

- financial assets, recognized at fair value in the profit of the loss;
- financial assets at disposal for sale.

- at depreciated value by applying the effective interest rate method:

- credits and receivables;
- investments, kept till maturity.

Profits and Losses from Financial Assets

• Profits and losses that incur due to the change of the fair value of financial assets are recognized as follows:

- profit or loss from a financial asset or liability, classified as accounted at fair value in the profit or loss, is recognized in the overall income statement.

- profit or loss from a financial asset at disposal for sale is recognized in another overall income, with the exception of depreciation losses and profits and losses from exchange rates until the moment of writing-off of the asset. At this moment the accrued profit or loss recognized before in another overall income is to be reclassified from the Company's own equity in the profit or loss as a correction from reclassification.

• the interest calculated by application of the effective interest method is recognized in the overall income statement.

• the dividends from instruments of the owner's equity at disposal for sale is recognized in the overall income statement, when the right of the Company to receive payment is established.

• the financial assets that are accounted at depreciated value, the profit or the loss from the asset is recognized in the overall income statement, when the financial asset or liability is written-off or devaluated by depreciation.

The Company writes-off financial assets, when:

• the contractual rights over the cash flows from the financial asset have ceased; or

• transfers the financial asset, when the contractual rights for receipt of cash flows from the financial asset or contractual rights for receipt of cash flows from the financial asset are reserved, but a contractual obligation for payment of cash flows to one more recipients has been undertaken in an agreement and the transfer meets the writing-off requirements under IAS 39.

Conditions for writing-off of a financial asset:

When the Company transfers a financial asset, it assesses the extent to which it shall keep the risks and the benefits from the ownership over the financial asset:

• if the Company transfers to a considerable extent all risks and benefits from the ownership over the financial asset, the Company writes-off the financial asset and recognizes separately as assets or liabilities, all rights and obligations, constituted upon the transfer;

• if the Company reserves to a considerable extent all risks and benefits from the ownership over the financial asset, the Company continues to recognize the financial asset;

• if the Company neither transfers, nor reserves to a considerable extent all risks and benefits from ownership over the financial asset, the Company defines whether is has reserved control over the financial asset. In such case, if:

- the Company has not reserved control, it writes-off the financial asset and recognizes separately as assets or liabilities, all rights and obligations, construed upon the transfer.
- the Company has reserved control, it continues to recognize the financial asset to the extent of its continuing participation in the financial asset.

Upon writing-off the financial asset, the difference between:

a) its balance value; and

b) the amount of the remuneration received (including all new assets received minus the all new liabilities undertaken) and all accrued profits or losses that were directly recognized in the owner's equity are recognized directly in the overall income statement.

Depreciation and Uncollectability of Financial Assets

The Company decides at the end of every accounting period whether there are objective evidence for devaluation of a financial asset or a group of financial assets.

A financial asset or a group of financial assets are considered devaluated and devaluation losses are considered as incurred, when there are objective evidences for devaluation, stemming from one or more events, that have incurred after the initial recognition of the asset (in the "loss" event), and when this event is a loss (or events) having effect on the expected future cash flows from the financial asset or group of financial assets that can be duly assessed. It is possible that a single given event causing devaluation cannot be identified. The devaluation may be caused by the combined effect of a number of events.

The losses that are expected as a result from future events, regardless of their probability, are not recognized.

• Devaluation of financial assets, reported at depreciation value

If there are objective evidences that a devaluation loss from credits and receivables from investments held until maturity accounted at depreciated value, the amount of the loss is assessed as the difference between the balance value of the asset and the current value of the expected future cash flows (with the exception of expected future credit losses that have not incurred), discounted with the initial effective interest rate applicable with respect to the financial asset (i.e. the effective interest rate calculated upon the initial recognition). The balance value of the asset is decreased and the amount of the loss is recognized in the overall income statement.

• Devaluation of financial assets reported at acquisition price

If there are objective evidences that a devaluation loss from devaluation of a financial asset accounted at acquisition price, the amount of the loss from devaluation is assessed as the difference between the balance value of the financial asset and the current value of the expected future cash flows discounted with the current market return rate for any similar financial asset. The losses are recognized in the overall income statement. Such devaluation losses are not subject to redemption.

- Devaluation of financial assets at disposal for a sale

When a decrease in the fair value of a financial asset at disposal for sale is recognized directly in the owner's equity and there are objective evidences that the asset is devaluated, the accrued loss that is recognized in another overall income, is deduced from the equity and is recognized in the profit or the loss, even if the financial asset is not written-off.

The sum of the accrued loss that is reclassified from owner's equity in the profit or loss, is the difference between the acquisition price (net of principal payments effected and depreciation accrued) and the current fair value, minus the devaluation loss from the financial asset, recognized before that in the profit or loss.

Losses from devaluation recognized in the profit or loss, for any investment in an instrument from the owner's equity, classified as at disposal for sale, are not rehabilitated in the profit or loss.

Losses from devaluation recognized in the profit or loss, for any debt instrument, classified as at deposal for sale are refunded, whereas the refunded amount is recognized in the profit or loss.

Cash and Cash Equivalents

The monetary means include money in cash and deposits with no fixed term in leva and in other currencies.

The cash equivalents are short-term, highly liquid investments that are easily transferrable in amounts in cash and contain an insignificant risk of value change.

Credits, Trade and Other Receivables

Financial assets produced by means of direct rendering of services, goods, cash and cash equivalents (trade receivables and credits) are classified as credits and receivables.

The credits and receivables that are with a fixed maturity date are reported at depreciation value.

The credits and receivables that have no fixed maturity date are reported at cost price.

Owner's Equity

The owner's equity of the Company consists of owner's equity, reserves and undistributed profits.

The owner's equity represents constitutes registered equity – accounted at nominal value in accordance with legal registration decision.

The reserves include a premium reserve.

The undistributed profit includes :

- the accrued profit from previous periods undistributed at the end of the accounting period;
- the accrued uncovered loss from previous periods at the end of the accounting period;

  – Profit/loss for the period.

Current and Non-Current Liabilities

A liability is classified as current, when it meets one of the following criteria:

– the Company expects to arrange the liabilities in the course of its regular operating cycle;

– the Company holds the liability mainly for trade purposes;

– the liability is to be arranged within twelve months after the end of the accounting period; or

– the Company does not possess an unconditional right to defer the settlement of the liability for a period of at least twelve months after the end of the accounting period.

A Liability is classified as non-current, if it does not meet the classification criteria of current.

A liability is classified as current, when it is to be arranged within twelve months from the end of the accounting period, even if:
- the initial term has been set to more than twelve months; and
- after the end of the accounting period and before the financial statement is approved for publication, an agreement for refinancing or for a new long-term payment schedule have been concluded.

Financial Liabilities

A financial liability is every liability that constitutes:

• a contractual obligation :

- for provision of monetary means or another financial asset to another Company; or

- for exchange of financial assets or financial liabilities with another Company under conditions that are potentially unfavourable for the Company; or

• a agreement that will be or can be arranged in instruments of the owner's equity of the Company and is:

- non-derivative - for which the Company is or can be liable to provide a variable number of instruments of its owner's equity; or

- derivative - which will be or can be arranged by means of exchange of a fixed cash amount or another financial asset for a fixed number of instruments of Company's owner's equity. For this purpose the instruments from the owner's equity of the Company do not include return on financial instruments classified as owner's equity instruments that impose on the Company the obligation to place at the disposal of any third party a proportional share of the net assets of the Company only upon liquidation, or instruments that represents agreements for future receipt or provision of instruments from the owner's equity of the Company.

The financial liabilities are classified in the following categories in accordance with the requirements of IAS 39:

- Financial liabilities, reported at fair value in the profit or loss:

  - classified as held for trading;

  - upon their initial recognition they are defined by the Company for reporting the fair value in the profit or loss.

- Financial liabilities, reported at depreciation value.

The financial liabilities are recognized in the financial status report, when the Company is a party under the instrument's contractual terms and conditions.

Upon their initial recognition the financial liabilities are reported at their fair value, and in case of financial liabilities that are not reported at fair value in the profit or loss, the expenses associated with the deal that refer directly to the acquisition or the issuing of the respective financial asset.

Subsequent Evaluation of Financial Assets

- The following financial liabilities are recognized at fair value :

  - financial liabilities, reported at fair value in the profit or loss; with the exception of liabilities – derivatives that linked to any unquoted instrument of the owner's equity the fair value of which cannot be duly assessed that are reported at acquisition price;

- At depreciation value by application of the effective interest method – all rest liabilities

Recognition of profits and losses from financial liabilities

- Profits and losses from financial liabilities, classified as reported at fair value in the profit or loss, are recognized in the overall income statement;
- Profits and loss from financial liabilities that are reported at depreciation value are reported in the overall income statement, when the financial liability is written-off and also in the process of its depreciation.

The Company writes-off financial liabilities (or part thereof), when they are paid-off i.e. when the obligation, stipulated in the respective agreement cancelled, found invalid or if its term has elapsed.

Upon writing-off of a financial liability the difference between the balance value of any respective financial liability (or part thereof) that is terminated or transferred to any third party and the remuneration paid, including the transferred and undertaken non-monetary assets and liabilities, it is recognized in the overall income statement.

The dividends, payable to the shareholders of the Company are recognized when approved at the General meeting of shareholders. The profit to be distributed amongst the shareholders is calculated in accordance with the REIT Act and constitutes the financial result, corrected as follows:

- increased/decreased with the expenses/incomes from subsequent evaluations of real estates;
- increased/decreased with the profits/losses from deals for transfer of ownership rights over real estate properties;
- increased/ decreased in the year of transfer of the ownership rights over real estate properties with positive/ negative difference between:

a) the sales price of the real estate property; and б) the amount of the historical price of the real estate property and the subsequent expenses, that have lead to an increase in its balance amount;

The Company distributes as a dividend no less than 90 per cent of the distributable profit.

Trade and Other Liabilities and Credits

Credits, trade and other liabilities are financial liabilities incurred directly from receipt of goods, services, cash or cash equivalents from suppliers and creditors.

After initial recognition of the credits and the trade liabilities, that have no fixed maturity date, are reported at the value as assessed upon their acquisition.

The credits and obligations that have a fixed maturity date are reported at their depreciation value.

Provisions, Conditional Assets and Conditional Liabilities

The provisions are liabilities with a unsecure manifestation in time or in terms of value. They are recognized, when the following conditions have been met:
- the Company has a current obligations as a result of past events;
- it is probable that a big flow of resources to be necessary for the obligation to be liquidated;
- the amount of the liability can be duly assessed.

The amount recognized as a provision constitutes the best approximate evaluation of the expenses, necessary for covering the current obligation as on the balance date. Upon determining this best approximate assessment the Company takes into consideration the risks and the extent of uncertainty, accompanying many of the events and circumstances, as well as the effect of the change in the value of monetary means in time, when they have a material effect.

The provisions are reviewed as on every balance date and their value is corrected, so that they reflect the best approximate evaluation as on the date of the balance. If it is no longer probable that there will be an outgoing resource flow necessary for the settlement of the liability, then the provision is to be written-off.

A conditional liability is:

• a possible obligation that derives from past events and the existence of which can be confirmed only by the incurrence or non-incurence of one or more uncertain future events that cannot be fully controlled by the Company; or

• a current obligation that derives from past events, but that is not recognized, because:
- it is not probable that an outgoing resource flow containing economic benefits shall be necessary for the liquidation of the liability; or
- the amount of the obligation cannot be determined with sufficient certainty.

A conditional asset is an asset that derives from past events and the existence of which is confirmed only by the incurrence or the non-incurrence of one or more uncertain future events that cannot be fully controlled by the Company.

The Company does not recognize conditional assets as their recognition can result in recognition of an income that could never be realized.

NOTES TO THE ANNUAL FINANCIAL REPORT

1. STATEMENT OF FINANCIAL POSITION

1.1 Properties, Machines and Equipment:

	Land	Equipment	Machines and Equipment	Other Assets	Capitalized costs	Total
Book value						
Balance as at 31.12.2013	**1 539**	**456**	**56**	**4 119**	**1 839**	**8 009**
Incoming		290		650	1 892	2 832
Outgoing					(3 722)	(3 722)
Balance as at 31.12.2014	**1 539**	**746**	**56**	**4 769**	**9**	**7 119**
Incoming	207		4	98		309
Balance as at 31.12.2015	**1 746**	**746**	**60**	**4 867**	**9**	**7 428**
Depreciation						
Balance as at 31.12.2013	**-**	**161**	**52**	**3 168**	**-**	**3 381**
Incoming		60	3	626		689
Balance as at 31.12.2014	**-**	**221**	**55**	**3 794**	**-**	**4 070**
Incoming		74	2	380		456
Balance as at 31.12.2015	**-**	**295**	**57**	**4 174**	**-**	**4 526**
Balance Value						
Balance Value as at 31.12.2014	**1 539**	**525**	**1**	**975**	**9**	**3 049**
Balance Value as at 31.12.2015	**1 746**	**451**	**3**	**693**	**9**	**2 902**

1.2. Investment Properties:

	Land	Buildings	Total
Book Value			
Balance as at 31.12.2013	**13 180**	**26 313**	**39 493**
Incoming		3 429	3 429
Outgoing	(4 301)	(381)	(4 682)
Impairments recognized in ATS	(493)	(1 012)	(1 505)
Balance as at 31.12.2014	**8 386**	**28 349**	**36 735**
Outgoing	(5 276)		(5 276)
Impairments recognized in ATS	(47)	(1 707)	(1 754)
Balance as at 31.12.2015	**3 063**	**26 642**	**29 705**
Balance Value			
Balance Value as at 31.12.2014	**8 386**	**28 349**	**36 735**
Balance Value as at 31.12.2015	**3 063**	**26 642**	**29 705**

As of 31.12.2015 the Company owns the following investment properties (in thousands BGN):

Property	Price of Acquisition	Following Valuations	Balance Value
Hotel – Bansko, `St. Ivan`	12 741	-492	12 249

Land – Sozopol, `St. Marina`	611	-8	603
Land – village of Panichshte	1 333	216	1 549
Land – village of Chernomorets	718	-384	334
Land– town of Sandanski	1 198	-622	576
Commercial complex and swimming pool stage I – Sozopol `St. Marina`	4 562	-1 013	3 549
Commercial complex and swimming pool stage I– Sozopol `St. Marina`	2 689	-1 150	1 539
Commercial complex and swimming pool stage III– Sozopol `St. Marina`	397	-199	198
Commercial service building - Complex 4 – stage III, `St. Marina`	907	-72	835
Commercial Complex "Marina Plaza" – Sozopol, St. Marina	3 429	-265	3 164
Building with dormitories and canteen – village of Chernomorets	2 611	-387	2 224
Santa Marina – villa 2, shop 1	15	3	18
Santa Marina – villa 2, shop 2	17	3	20
Santa Marina – villa 2, shop 3	18	2	20
Santa Marina – villa 2, shop 4	16	2	18
Santa Marina – villa 2, store 1	126	-27	99
Santa Marina – villa 2, store 2	126	-27	99
Santa Marina – villa 44A , office	437	-98	339
Santa Marina – villa 53C, basement	193	-59	134
Santa Marina – villa 55A, café	357	-59	298
Santa Marina – villa 55A, adjacent premises	58	-19	39
Santa Marina – villa , 57A shop 1	58	-4	54
Santa Marina – villa , 57A shop 2	56	-5	51
Santa Marina – villa , 57A shop 3	63	2	65
Santa Marina – villa , 57A shop 4	79	3	82
Santa Marina – villa , 57A a server place	40	-13	27
Santa Marina – villa , 57A an installation place	68	-22	46
Santa Marina – villa 62A, conference hall	472	-100	372
Santa Marina – villa 39, office C	190	-1	189
Santa Marina – villa 39, atelier A – medical centre	206	-18	188
Santa Marina – villa 38, Internet café	200	13	213
Santa Marina – villa 79, commercial area	457	-140	317
Santa Marina – villa 82, store	177	20	197
Total:	**34 625**	**-4 920**	**29 705**

1.3. Non – current Assets

	Rights	Programme Products	Other Assets	Total
Book Value				
Balance as at 31.12.2013	**156**	**32**	**17**	**205**
Outgoing	(156)			(156)
Balance as at 31.12.2014	**-**	**32**	**17**	**49**
Balance as at 31.12.2015	**-**	**32**	**17**	**49**
Depreciation				
Balance as at 31.12.2013	**-**	**32**	**13**	**45**
Incoming			2	2
Balance as at 31.12.2014	**-**	**32**	**15**	**47**
Incoming			1	1
Balance as at 31.12.2015	**-**	**32**	**16**	**48**
Balance Value				
Balance Value as at 31.12.2014	**-**	**-**	**2**	**2**
Balance Value as at 31.12.2015	**-**	**-**	**1**	**1**

1.4. Inventories:

Kind	31.12.2015	31.12.2014
Production (Apartments)	9 062	10 424
Goods (Furniture)	305	309
Work in progress (unfinished apartments)	27 964	19 615
Total	**37 331**	**30 348**

1.4.1. Production and goods:

Project	Properties	Furniture
Apartments – Sozopol – stage I, II and III	4 465	97
Apartments - Bansko, "St. Ivan" Locality	1 528	203
Apartments – Chernomorets	2 755	5
Transformer 5 - Sozopol, St. Marina Locality	144	-
Transformer 4 -- Sozopol, St. Marina Locality	170	-
TOTAL:	**9 062**	**305**

1.4.2. Work in Progress:

The amount presented as work in progress, is expenses for the construction of real estates (apartments), accumulated till 31.12.2015, the book value of which will be recovered mainly via sale:

Project	Accumulated Costs	Land included in the cost	Balance Value
Project – Santa Marina - stage III	-	476	**476**
Project – Santa Marina - stage IV	39	2 353	**2 392**
Project - Sozopol, Missarya Locality	10	1 735	**1 745**
Project – Sofia	3 465	5 070	**8 535**
Project – village of German	-	6 562	**6 562**
Project – village of Panichishte	733	1 293	**2 026**
Project - town of Sandanski	250	-	**250**
Project – town of Sapareva banya	21	5 957	**5 978**
Total:	**4 518**	**23 446**	**27 964**

1.5. Current trade and other receivables

Kind	31.12.2015	31.12.2014
Receivables from related parties / net /	**946**	**415**
Receivables	946	411
Receivables on advances	-	4
Receivables from sales / net /	**178**	**37**
Receivables	178	37
Receivables on advances / net /	**903**	**905**
Receivables on advances	903	905
Other current receivables	**417**	**386**
Guarantees and deposits	9	-
prepaid expenses	408	386
Total	**2 444**	**1 743**

1.6. Tax recovery

Kind	31.12.2015	31.12.2014

Value Added Tax	50	-
Total	**50**	**-**

1.7. Cash

Kind	31.12.2015 г.	31.12.2014 г.
Money in Cash	**3**	**4**
BGN	3	4
Cash in current accounts	**508**	**174**
BGN	385	71
currency	123	103
Blocked cash	**131**	**1 597**
Total	**642**	**1 775**

1.8. Equity

The share capital of "Fair Play Properties" REIT as at 31.12.2015 is to the amount of BGN 27 912 685 (twenty seven million nine hundred twelve thousand, six hundred and eighty five), allocated into 27 912 685 (twenty seven million nine hundred twelve thousand, six hundred and eighty five), ordinary book entry shares, with a voting right, and a nominal value of BGN 1 (one BGN) each. All issued shares have been paid cash in full.

"Fair Play Properties" REIT does not have own shares.

"Fair Play Properties" REIT does not have any subsidiaries.

	Total Reserves
Reserves as at 31.12.2013	
Increase of:	**27 912**
Others	27 912
Decrease of:	**(1 987)**
Losses Coverage	(1 987)
Reserves as at 31.12.2014	**25 925**
Decrease of:	(2 969)
Reserves as at 31.12.2015	**22 956**

1.9. and 1.10. Financial Liabilities

No	Lender	Type of loan	Currency	Negotiated amount in foreign currency	Interest	Date of granting	Deadline for repayment	Liability for principal as at 31.12.2015 (BGN thousand)		Liability for principal as at 31.12.2015 (BGN thousand)	Interest expenses for the period 01.01 - 31.12.2015 (BGN thousand
								Current part	Current part	Current part	
1	Unicredit Bulbank JSC	Refinancing of the Bonds Issues	EUR	3 750 000	3M SOFIB + 3.00%	10.2015	12.2020	499	6 841	-	40
2	Piraeus Bank Bulgaria JSC	Investment	EUR	1 500 000	3M EURIB + 5.00%	12.2007	2.2017	383	64	1	33
3	Piraeus Bank Bulgaria JSC	Investment	EUR	3 750 000	3M EURIB + 5.00%	3.2008	6.2020	28	4 902	1	278
4	Piraeus Bank Bulgaria JSC	Investment	EUR	Under limit of the Loan	3M EURIB + 4.00%	12.2015	6.2020	-	232	-	-
5	Bonds Emission		EUR	4 000 000	6M EURIB + 4.00% > 7.25%	8.2006	8.2017	-	-	-	213
6	Bonds Emission		EUR	2 400 000	3M EURIB + 5.50% > 6.50%	1.2013	1.2021	-	-	-	267
Total:								**910**	**12 039**	**2**	**831**

1.11. Current trade and other payables

Kind	31.12.2015	31.12.2014
Payables to related parties	**4 454**	**3 276**
Liabilities on supplies	4 454	3 276
Liabilities on supplies	**3 696**	**3 046**
Duties on advances	**4 181**	**2 099**
Other current liabilities	**227**	**227**
Dividends payable	227	227
Total	**12 558**	**8 648**

1.12. Tax obligations

Kind	31.12.2015	31.12.2014
Value added tax		55
Tax on personal income	3	4
Other taxes	55	200
Total	**58**	**259**

1.13. Obligations to Stuff:

Kind	31.12.2015	31.12.2014
Obligation to staff	15	19
Obligation to Social Security	4	4
Total	**19**	**23**

2. STATEMENT OF COMPREHENSIVE INCOME

2.1.1. Net sales revenue

Kind of Revenue	2015	2014
Sales of production (apartments)	**1 672**	**8 948**
Sales of services	**2 990**	**2 951**
- Rental and operation of investment properties	2 990	2 927
- other services	-	24
Sales of goods (equipment)	**3**	**155**
Sales of fixed assets and investment property	**-**	**4 423**
other income	**16**	**40**
- Claims	16	29
- Cancelled reservations	-	11
Total	**4 681**	**16 517**

2.1.2. Financial Revenues

Kind of revenue	2015	2014
Interest income including	**14**	**32**
deposit	14	32
Total	**14**	**32**

2.2.1. Material Expences

Expenses	2015	2014
Fuel and lubricants	6	10
Office supplies and consumables	3	3
Technical Support	1	-
Assets below the materiality threshold	1	6
Other materials	2	4
Total	**13**	**23**

2.2.2. Expenses for External Services

Expenses	2015	2014
Rents	54	62
Renovations	12	31
Marketing services (incl. Advertising)	4	8
Communications services (phone, internet, etc.).	2	2
Consulting and legal services	10	3
Civil contracts and fees	-	18
Insurance	53	44
Fees (notary, legal, government, etc.).	81	44
Security	14	2
Commissions	202	1 101
Management and maintenance Property	1 593	1 511
Remuneration servicing company	837	1 657
Depository services	1	-
Power	33	81
Accounting and auditing services	26	21
Valuation of Properties	14	8
Other costs for external services	111	107
Total	**3 047**	**4 700**

2.2.3. Depreciation Expenses

Expenses	2015	2014
Depreciation and amortization administrative	**457**	**691**
- Property Plant and Equipment	456	689
- intangible assets	1	2
Total	**457**	**691**

2.2.4. Salaries and Social Security Expenses

Expenses	2015	2014
Salary Costs	237	252
Social Security Costs	28	31
Total	**265**	**283**

2.2.5. Other Expenses

Expenses	2015	2014
Business trips expenses	1	1
Representative expenses	1	3
Interest expense on government claims	39	2
Expenses for local taxes	229	300
Other expenses	15	71
Total	**285**	**377**

2.2.6. Balance Value of the Sold Assets

Expenses	2015	2014
Book value of marketed production (apartments)	1 362	5 843
Book value of sold goods (furniture)	27	215
Book value of sold fixed assets and Inv. estate	-	4 848
Total	**1 389**	**10 906**

2.2.7. Financial Expenses

Expenses	2015	2014
Interest expense including	**831**	**1 019**
Borrowing from financial institutions	351	453
in bonds	480	566
Impairment of investment properties	**1 754**	**1 505**
Negative exchange differences	**6**	**3**
Other financial expenses	**28**	**11**
Total	**2 619**	**2 538**

3. OTHER DISCLOSURE

3.1.1. The Company discloses the following related parties:

Persons holding more than 5% of the shares issued with voting aloud in the company are:

Name/Company	Address	Shareholding (%)
„FairPlay International” JSC	Sofia 1407, Cherni vruh Blvd	56.36 %
Mario Zahariev Zahariev	Sofia, Rajko Alexiev Str, № 26, enterance.A, app.12	8.85 %
UPF „Doveriw”	гр. София, ул.Дунав 5,	6.35%
UPF „Budeshte”	гр. София, бул.Цар Освободител 6	5.46%

Shareholder and / or controlled person is owner / partner / shareholder in the following companies:

Name/Company	Participant	Shareholding (%)
„Ekovin Product” Ltd.	„FairPlay International” JSC	100% shareholding
“Technotrans Global” Ltd.	„FairPlay International” JSC	100% shareholding
“TouristEngeneering” JSC	„FairPlay International” JSC	100% shareholding
„FairPlay Consulting” Ltd	„FairPlay International” JSC	100% shareholding
“FairPlay Constructions” Ltd	„FairPlay International” JSC	100% shareholding
“FairPlay Properties Management” Ltd.	„FairPlay International” JSC	100% shareholding
“Fairplay International Travel and Tourism” Ltd.	„FairPlay International” JSC	100% shareholding
„PROJECT 2002” Ltd	„FairPlay International” JSC	100% shareholding
„FairPlay Real Estate” Ltd	„FairPlay International” JSC	100% shareholding
„SEIF”JSC	„FairPlay International” JSC	100% shareholding
"FairPlay Residential Properties” JSC	„FairPlay International” JSC	99.61% shareholding
„Ivan Rilski Properties” Ltd.	„FairPlay International” JSC	90.84% shareholding
„Focal Point Investments” JSC	„FairPlay International” JSC	95.68% shareholding
„Arena Di Serdica” JSC	„FairPlay International” JSC	100% shareholding
„St Marina Capital” Ltd.	„FairPlay International” JSC	100% shareholding

The Board of Directors of the Company participates in the following physical entities:

Name/Company	Address	Position
Manyu Todorov Moravenov	Sofia, 16, Nevestina skala Str.	CEO
Ivaylo Alexandrov Panov	Sofia, Kostenski vodopad Str. № 10, fl.2	Member of the Board of Directors
Mariana Nikolaeva Doynova	Botevgrad, Residential Complex „Vasil Levski” 23, enterance V, floor.4, app.7	Member of the Board of Directors

Member of the board of directors and shareholder holding more than five per cent of the shares issued with voting right in the company participate in the management or supervisory bodies of the following persons:

Name/ Company	Participant	Role
Speciall Investment Purpose Companies Association	„FAIRPLAY PROPERTIES” REIT by Manyu Todorov Moravenov	Manager
„SFB Capital Market” JSC	Manyu Todorov Moravenov	Member of the Board of Directors
„Focal Point Investments” JSC	Manyu Todorov Moravenov	CEO
„SMALL ENTERPRICES INVESTMENT FUND /SEIF/” JSC	Manyu Todorov Moravenov	Member of the Board of Directors
„FAIRPLAY AGRICULTURAL FUND” JSC	"FAIRPLAY INTERNATIONAL" JSC	Member of the Board of Directors
“FAIRPLAY RESIDENTIAL PROPERTIES” JSC	"FAIRPLAY INTERNATIONAL" JSC	CEO
„PROJECT 2002” LTD	"FAIRPLAY INTERNATIONAL" JSC	Manager
„EKOVIN PRODUCT” LTD	"FAIRPLAY INTERNATIONAL" JSC	Manager

3.1.2. Transactions and balances with related parties

Sales			
Client	**Transaction**	**2015**	**2014**
“FairPlay Properties Management” Ltd.	Rents and other services	1 301	1 381
“FairPlay International” JSC	Rents	12	12
Total		**1 313**	**1 393**

Purchases			
Supplier	**Transaction**	**2015**	**2014**
“FairPlay International” JSC	Remuneration of the servicing company, rent	885	1 704
“Ivan Rilski Properties” Ltd	Commissions	12	22
“FairPlay Properties Management” Ltd.	Real estate management	640	588
“Technotrans Global” Ltd	Transport services, rent of vehicles	12	23
FairPlay Security Ltd.	Security services	-	2
„Focal Point Investments” JSC	Consultations	48	48
„Ekovin Product” Ltd.	Goods (furniture)	30	131
Total		**1 627**	**2 518**

Transactions with related parties are carried at fair market values.

Receivables		
Client	**31.12.2015**	**31.12.2014**
“FairPlay Properties Management” Ltd.	946	410

“FairPlay International” JSC		1
„Ekovin Product” Ltd.		4
Total	**946**	**415**

Obligation		
Supplier	**31.12.2015 г.**	**31.12.2014 г.**
“FairPlay International” JSC	3 890	2 909
“Ivan Rilski Properties” Ltd	162	162
“FairPlay Properties Management” Ltd.	338	204
“Technotrans Global” Ltd.	1	1
“FairPlay Residential Properties” Jsc.	63	
Total	**4 454**	**3 276**

3.2. Contingent assets and liabilities

At the date of the annual financial statements no identifiable contingent liabilities, disclosure of which could reflect a true and fair presentation of the property and financial condition of the company.

As contingent liabilities as of 31.12.2015 shall be disclosed collateral for borrowing:

Contingent liabilities		
Contract/ Contractor	**Established guarantee security in favor of the counterparty**	**Amount of collateral**
Piraeus Bank Bulgaria Jsc.	Apartments and Investment Properties	5 609
Unicredit Bulbank Jsc,	Investment Properties, Receivables	7 340

3.3. Financial result for distribution, calculated according Art. 10 от Low on Special Investment Purpose Companies

1	Financial Result as at 31.12.2015	**-3 379 952.73**
2	Expenses from following valuation of the properties	1 754 135.95
3	Profit from transactions transferring ownership of real estate	309 237.30
4	Difference between the sale and the historical value of the property	368 997.10
5	**Financial Result for distribution (1 + 2 - 3 + 4)**	**-1 566 056.98**

3.4. Management Expenses (according Art. 60 from the Statue of the Company)

Expense	2015	2014
Accounting and Audit Services	26	21
Servicing Company remuneration	837	1 657
Depositary Services to the Depository Bank	1	1
Valuation services	14	8
Remuneration of the Members of the Board of the Directors	154	155
Social Security to the remuneration of the Member of the Board of Directors	14	13
Total:	**1 046**	**1 855**

3.5. Events after the reporting period

After the date of the financial statements there were no corrective events significant in terms of the information presented in it.

3.6. Working company

The Company management believes that it is and will remain active, and there are no plans and intentions to terminate the operations.

3.4. The apartments and ateliers with permissions for use are presented as "

3.9. Bank and bond loans:

No	Lender	Type of loan	Currency	Negotiated amount in foreign currency	Interest	Date of granting	Deadline for repayment	Liability for principal as at 31.12.2013 (BGN thousand)		Liability for principal as at 31.12.2013 (BGN thousand)	Interest expenses for the period 01.01 - 31.12.2013 (BGN thousand
								Current part	Current part	Current part	
1	Eurobank EFG Bulgaria AD	Revolving	EUR	2 000 000	3M EURIB + 5.50%	12.2011	8.2014	1 261	-	2	130
2	Piraeus bank Bulgaria AD	Investment	EUR	1 500 000	3M EURIB + 5.75%	12.2007	3.2015	1 467	366	-	104
3	Piraeus bank Bulgaria AD	Investment	EUR	3 750 000	3M EURIB + 5.75%	3.2008	3.2014	6 444	-	1	397
4	Piraeus bank Bulgaria AD	Investment	EUR	1 250 000	3M EURIB + 5.75%	4.2008	9.2013	-	-	-	52
5	Piraeus bank Bulgaria AD	Investment	EUR	3 250 000	3M EURIB + 5.75%	11.2009	4.2013	-	-	-	6
6	Bonds emission		EUR	4 000 000	6M EURIB + 4.00% > 7.25%	8.2006	8.2014	4 217	-	116	354
7	Bonds emission		EUR	2 400 000	3M EURIB + 5.50% > 6.50%	1.2013	1.2021	391	3 865	47	278
Total:								**13 780**	**4 231**	**166**	**1 321**

3.10. As on the date of the annual financial statement there are no material conditional assets, the non-reporting of which would influence the correct and fair presentation of the proprietary and financial status of the Company.

As on 31st December, 2013 the securitizations under the loans received are to be reported as conditional liabilities:

- Under the credits from Eurobank EFG Bulgaria AD – real estate properties with a market value of BGN **2 600** thousand.
- Under credits from Piraeus Bank Bulgaria AD – real estate properties with a market value of BGN **18 000** thousand and future receivables.
- Under obligation loan – real estate properties with a market value of BGN **21 960** thousand.

3.11. The incomes are classified as follows in the Income Statement:

- **"Net incomes from production sales"** – BGN **17 653** thousand – the recognized incomes from sales of apartments.
- **"Net incomes from goods sold" –** BGN **240** thousand – the recognized incomes from sales of furnishing for the apartments sold.
- **"Other incomes" –** BGN **2 886** BGN thousand :

– Incomes from rental and exploitation of investment properties – BGN **2 627** thousand;

– Incomes from sale of the investment properties and NTA – BGN **209** thousand;

– Insurance indemnities, cancelled reservations, etc. – BGN **50** thousand.

3.12. The part „Balance value of sold assets (BGN 11 600 thousand) includes:

- Sold apartments – BGN **11 036** thousand
- Sold investment properties and NTA - BGN **265** thousand
- Furniture sold (goods) – BGN **299** thousand.

3.13. The financial result of the Company as on 31st December, 2013 represents a loss to the amount of BGN **10 349** thousand. The financial result, to be allocated among the shareholders, is calculated as follows:

Date: 17.03.2016 Prepared by: Manager:

/ Kamen Kamenov / / Manyu Moravenov /