ADVANCE TERRAFUND REIT

INTERIM FINANCIAL STATEMENTS
30 June 2018

Contents

Board of Directors

Borislav Petkov, Chairman of the Board of Directors
Nencho Penev, Member of the Board of Directors
Radoslav Manolov, Executive director

Audit committee

Kamen Kamenov
Zhechko Petrov
Petar Doynov

Registered office

1 Zlatovrah St.
Lozentets district
1164 Sofia

Depositary bank

United Bulgarian Bank AD

Financial services company

Karoll Finance EOOD

ADVANCE TERRAFUND REIT
STATEMENT OF COMPREHENSIVE INCOME
for the period ended 30 June 2018

	Notes	2018	2017
		BGN'000	*BGN'000*
Income			
Proceeds from sales of investment property	5.1	1,666	7,394
Carrying amount of property sold		(1,606)	(5,471)
Net gains from sale of investment property		60	1,923
Rental income from leasing of investment property	5.1	3,190	3,239
Reversal of impairment loss of advance payments to suppliers		-	700
Interest income	5.4	405	293
Other income	5.2	22	9
Total income		**3,677**	**6,164**
Expenses			
Hired service expenses	5.3	(1,596)	(2,030)
Employee benefits expense		(63)	(63)
Finance costs		(1)	(1)
Other expenses		(12)	(6)
Total expenses		**(1,672)**	**(2,100)**
Profit for the year		**2,005**	**4,064**
Other comprehensive income for the year		**-**	**-**
Total comprehensive income for the year		**2,005**	**4,064**
Basic earnings per share (BGN)	14	0.024	0.048

Radoslav Manolov
Executive director

Yoana Georgieva
Preparer

The accompanying financial statements were authorised for issue with a resolution of the Board of Directors dated 25 July 2018.
The notes on pages 5 to 37 form an integral part of these financial statements.

ADVANCE TERRAFUND REIT
STATEMENT OF FINANCIAL POSITION
for the period ended 30 June 2018

	Notes	30.06.2018	31.12.2017
		BGN'000	*BGN'000*
ASSETS			
Non-current assets			
Investment property	6.1	204,653	201,592
Receivables on lease contracts and sales with deferred payment terms	7	12,377	11,833
		217,030	**213,425**
Current assets			
Receivables on lease contracts and sales with deferred payment terms	7	3,809	3,484
Trade and other receivables	8	4,343	2,834
Cash and cash equivalents	9	26,955	29,688
		35,107	**36,006**
Investment property held for sale	6.2	931	2,446
TOTAL ASSETS		**253,068**	**251,877**
EQUITY AND LIABILITIES			
Equity			
Share capital	10.1	85,110	85,110
Share premium	10.2	43,411	43,411
Other reserves	10.3	4	4
Retained earnings		113,249	111,337
Total equity		**241,774**	**239,862**
Current liabilities			
Trade and other payables	12	2,170	2,979
Dividends payable	11.2	9,089	9,001
Provisions	11.1	35	35
		11,294	**12,015**
Total liabilities		**11,294**	**12,015**
TOTAL EQUITY AND LIABILITIES		**253,068**	**251,877**

Radoslav Manolov
Executive director

Yoana Georgieva
Preparer

The accompanying financial statements were authorised for issue with a resolution of the Board of Directors dated 25 July 2018.
The notes on pages 5 to 37 form an integral part of these financial statements.

ADVANCE TERRAFUND REIT
STATEMENT OF CHANGES IN EQUITY
for the period ended 30 June 2018

	Share capital (Note 10.1)	Share premium (Note10.2)	Other reserves (Note 10.3)	Retained earnings	Total
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
At 1 January 2017	**85,110**	**43,411**	**3**	**91,539**	**220,063**
Profit for 2017	-	-	-	30,103	30,103
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	30,103	30,103
Transactions with shareholders					
Dividend (Note 11.2)	-	-	-	(10,305)	(10,305)
Dividends with expired prescription period	-	-	1	-	1
At 31 December 2017	**85,110**	**43,411**	**4**	**111,337**	**239,862**
At 1 January 2018	**85,110**	**43,411**	**4**	**111,337**	**239,862**
Profit for the period ended on 30 June 2018	-	-	-	2,005	2,005
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	2,005	2,005
Transactions with shareholders					
Dividend (Note 11.2)	-	-	-	(93)	(93)
At 30 June 2018	**85,110**	**43,411**	**4**	**113,249**	**241,774**

Radoslav Manolov
Executive director

Yoana Georgieva
Preparer

The accompanying financial statements were authorised for issue with a resolution of the Board of Directors dated 25 July 2018.
The notes on pages 5 to 37 form an integral part of these financial statements.

ADVANCE TERRAFUND REIT
SATEMENT OF CASH FLOWS
for the period ended 30 June 2018

	Note	2018	2017
		BGN'000	*BGN'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Purchase of investment property		(3,152)	(2,485)
Cash flows related to business counterparties		(294)	512
Cash receipts from rent and sales of investment property		2,230	16,887
Cash payments for salary expenses		(78)	(71)
Interest received on bank accounts and deposits		41	4
Other cash flows generated from operations		(1,474)	(1,709)
Net cash flows from operating activities		**(2,727)**	**13,138**
CASH FLOWS FROM FINANCING ACTIVITY			
Cash flows related to payment of dividends	11.2	(5)	(14,249)
Other cash flows from financing activities		(1)	-
Net cash flows used for financing activities		**(6)**	**(14,249)**
Changes in cash and cash equivalents		(2,733)	(1,111)
Cash and cash equivalents at the beginning of the period	9	29,688	21,516
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**9**	**26,955**	**20,405**

Radoslav Manolov
Executive director

Yoana Georgieva
Preparer

The accompanying financial statements were authorised for issue with a resolution of the Board of Directors dated 25 July 2018.
The notes on pages 5 to 37 form an integral part of these financial statements.

1. Corporate information

The financial statements of Advance Terrafund REIT for the year ended 30 June 2018 were authorized for issue in accordance with a resolution of the Board of Directors on 25 July 2018.

Advance Terrafund REIT (the "Company") is a public joint-stock company which was established at the Constituent Assembly dating from 12 April 2005, with initial capital amounting to BGN 500 thousand, allocated into 500,000 shares with par value of BGN 1 each. The Company was re-registered with the Trade Register of the Registry Agency under UIC 131418187. The Company's registered office is: 1 Zlatovruh Str., Sofia. The financial year of the Company ends on 31 December.

The Company's scope of activity is the following: investment of financial resources, raised through public offering of securities, in real estate (real estate securitization) through purchase of right of ownership and other material rights on real estate as well as building constructions and improvements to them, with the purpose of their management, renting, leasing, and/or sale.

The activities of the Company fall under the regulations found in the Special Purpose Investment Companies Act (SPICA) and in the Public Offering of Securities Act (POSA). In accordance with these two Acts, the Company is subject to regulation by the Financial Supervision Commission (FSC). The Company obtained license № 10-SPIC (Special Purpose Investment Company)/08 December 2005, issued on the basis of Decision № 452-SPIC from 14 July 2005 of the Financial Supervision Commission.

The Company has been constituted for an unlimited duration.

The Company has a one-tier management system. The Board of Directors (BD) of the Company is composed of the following members: Radoslav Iliev Manolov – Executive Director, Borislav Vitanov Petkov – Chairman of the Board of Directors and Nencho Invanov Penev – Member of the Board of Directors. The persons entrusted with the general management are members of the Company's Audit Committee and are: Kamen Petrov Kamenov – Chairman of the Audit Committee, Zhechko Dimitrov Petrov – Member of the Audit Committee and Petar Doynov Doynov – Member of the Audit Committee.

Karoll Finance EOOD is the financial services company of Advance Terrafund REIT, which as of 30 June 2018, is a shareholder holding 17,65% of the capital of Advance Terrafund REIT. It is engaged in providing consultancy and other services, such as administrative, accounting and human resources services.

After the establishment of the Company in 2005, five subsequent increases of the capital of the Company have been carried out, and as of 30 June 2018 the capital of the Company amounts to BGN 85,110,091 (see Note 11.1).

2.1 Basis of preparation

The financial statements have been prepared on a historical cost basis with the exception of investment property, including investment property held for sale, which are measured at fair value.

The Management has made an assessment of the Company's ability to continue as a going concern in the foreseeable future and has concluded that the going concern assumption is appropriate for the preparation of these financial statements and that there are no material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern which have to be disclosed in the financial statements. Consequently, the financial statements of the Company have been prepared on a going concern basis.

The financial statements are presented in Bulgarian Leva (BGN) and all values are rounded to the nearest thousand (BGN thousand or BGN'000) except when otherwise indicated.

Statement of compliance

The financial statements of Advance Terrafund REIT have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union (IFRS, as adopted by EU). The reporting framework "IFRS, as adopted by the EU" is essentially the defined national basis of accounting "IAS, as adopted by the EU", specified in the Bulgarian Accountancy Act and defined in Paragraph 8 of its Additional provisions.

2.2 Summary of significant accounting policies

a) Foreign currency translation

The financial statements have been prepared in Bulgarian Leva, which is the Company’s presentation currency. Transactions in foreign currencies are recorded in Bulgarian Leva at the central exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the end of each month by applying the closing exchange rate published by the Bulgarian National Bank for the last working day of the respective month. Any foreign currency differences are recognised in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction (acquisition).

b) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, rebates, and other sales taxes or duties. The Company analyses its selling arrangements against specific criteria to determine whether it acts as a principal or as an agent. It has concluded that it acts as principal in all such arrangements. The following specific recognition criteria must also be met before revenue is recognised:

Sale of investment property

The revenue from investment property sales is reported when the Company transfers substantially all the risks and rewards related to the ownership right over the investment property to the customer and does not retain effective control thereof, and also when it is certain that the Company will receive economic benefit related to such transaction. The sum of the revenue and costs incurred or to be incurred, in relation to the transaction, must be reliably measured. The revenue from sale is recognized when there is certainty that the sales receivables will be collected.

When selling investment property with deferred payment the actual value of contractual payments is recognized as receivables from deferred payment sales. The difference between the gross and actual value of the receivable is treated as finance income for future period but it is not recognized as liability in the statement of financial position. The revenue from deferred payment sales of investment property is recognized for the contract period using the effective interest rate method in order to achieve continuous interest income in per cent over the residual principal amount. The main judgments of the Management concerning the transfers of the risks and rewards for deferred payment transactions are disclosed in Note 3.

Revenues from rent and lease of investment property

Rental income from operating leases of property is recognized on a straight-line basis over the whole lease term.

Interest income

Interest income is recognized using the effective interest rate method, i.e. the interest rate that discounts exactly the estimated future cash outflows over the estimated useful life of the financial instrument, or a shorter period where appropriate, to the carrying amount of the financial asset. Interest income is included in the finance income in the statement of comprehensive income.

c) Expenses

Expenses include costs for hired services, employee benefits expense, impairment loss on receivables, finance and other costs. They are recognized for the period of their occurrence under the accrual basis. Brokerage fees payable under operating lease contracts of investment property are reported as operating expenses for the period in which they arise (upon the conclusion of the operating lease contract).

2.2 Summary of significant accounting policies (continued)

d) Taxes

Corporate income tax

The Company is established pursuant to the provisions of the Special Purpose Investment Companies Act (SPICA) and is exempt from taxation with Bulgarian corporate income tax in compliance with Article 175 of the Corporate Income Tax Act.

As a result, the Company does not owe and has not accrued current income tax and deferred income tax for the relevant period as reported in the present financial statements.

e) Basic earnings per share

Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the period.

The weighted average number of shares is calculated by adjusting the ordinary shares in issue at the beginning of the period by the number of the shares bought back or issued during the period, multiplied by a time-weighting factor, i.e. the number of days that the specific shares are outstanding as a proportion of the total number of days in the period.

f) Financial instruments – initial recognition and subsequent measurement

- **Financial assets**

Initial recognition

Financial assets within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available for sale financial assets, as appropriate. The Company determines the classification of its financial assets upon initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Company's financial assets include cash and cash equivalents, receivables on lease contracts and on deferred payment sales and trade and other receivables.

Subsequent measurement

The subsequent measurement of the financial assets depends on their classification as follows:

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the comprehensive income statement in other costs.

2.2 Summary of significant accounting policies (continued)

f) Financial instruments – initial recognition and subsequent measurement (continued)

- **Financial assets (continued)**

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost
For financial assets carried at amortised cost the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate.

2.2 Summary of significant accounting policies (continued)

f) Financial instruments – initial recognition and subsequent measurement (continued)

- **Financial assets (continued)**

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)
The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

- **Financial liabilities**

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, plus, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and dividends payable.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Trade and other payables

After initial recognition, trade and other payables are subsequently measured by the Company at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discounts or premiums on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of comprehensive income.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the comprehensive income statement.

g) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.2 Summary of significant accounting policies (continued)

h) Fair value measurement of financial instruments

The Company measures its non-financial assets such as investment property and investment property held for sale at fair value at the reporting date. The fair values of financial assets measured at amortized cost are disclosed in Note 16.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.
- The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.
All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period and determines whether it is necessary to make transfers from one level into another.

The management of the Company determines the policies and procedures applied to fair value measurement made on a recurring basis as well as to fair value measurement made on a non-recurring basis for investment property and investment property held for sale.

Under normal conditions, the fair value measurement of investment property and investment property held for sale is subject to valuation made by external independent valuers. External valuers are selected on the basis of their professional experience, qualities and reputation. After discussions with the external valuations experts, the management decides which valuation techniques and inputs are most relevant to be used on a case-by-case basis.

2.2 Summary of significant accounting policies (continued)

h) Fair value measurement of financial instruments (continued)

At each reporting date, the management analyzes the changes in the values of the assets that are subject to re-measurement in accordance with the accounting policies applied by the Company. This includes reviewing the key inputs used in the last measurement and comparing them with the relevant historical information involving contracts and other appropriate documentation. In addition, the management, together with the external valuations experts, compares the changes in the fair value of each asset or liability with the appropriate external sources to assess whether the changes are reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

i) Share capital

The share capital of the Company is in the form of ordinary registered dematerialized shares. The excess of the share issue proceeds received over the par value of the shares is reported as a share premium.

Expenses that are directly attributable to the issuance of new shares are recognized in equity as a reduction in the proceeds of the issuance of shares thus eliminating the effect of taxes on income.

A liability for cash distributions to shareholders is recognized when the distribution is authorized or required by law and is no longer at the discretion of the Company. The corresponding amount is debited directly to equity.

j) Investment property

Investment property is property held to earn rentals or for capital appreciation or both. Investment property is initially measured at cost, including transaction costs. The subsequent costs related to the investment property, which has already been recognized, are added to the carrying amount of the investment property when it is probable that the Company will receive future economic benefits connected with the asset and when the asset acquisition price can be reliably valued.

Investment property is re-measured at fair value which reflects the actual market state and circumstance as of the balance sheet date. Gains or losses arising from changes in the fair value of investment property must be included in net profit or loss for the period in which it arises.

The investment property is derecognized upon its sale or permanent withdrawal from use in case that no future economic benefits are expected from its disposal. Gains or losses arising from the permanent withdrawal from use of the investment property or its disposal are included in the statement of comprehensive income in the period of the withdrawal or disposal.

k) Investment property held for sale

The Company classifies investment property as held for sale when its carrying amount will be recovered through sale rather than through continuing use. In order for this to be the case, the property must be available for immediate sale in its present condition and the sale is likely to be implemented within 12 months. Investment property held for sale is measured at fair value.

Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the Company's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset.

l) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

2.2 Summary of significant accounting policies (continued)

l) Leases (continued)

Company as a lessee

Finance lease

For a property sale that results in a finance lease, the present value of lease payments is recognized as lease payment receivable. The difference between the gross investment in the lease and the present value of the lease payments receivable is treated as future finance income but it is not recognized as liability in the statement of financial position. Financial income is allocated to each period during the lease term so as to produce a constant periodic rate of interest as a percentage on the remaining balance of the principal.

Income from finance lease of assets is recognized in the profit and loss for the respective period.

Operating lease

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of the leased asset.

m) Operating segments

An operating segment is a component of the Company:

a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses, relating to transactions with other components of the same Company);

b) whose operating results are reviewed by the management of the Company, the chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance; and

c) for which discrete information is available.

Two or more operating segments may be aggregated into a single operating segment, if the segments have similar economic characteristics and are similar in various prescribed respects:

a) the nature of the services;

b) the type of class of customer for their services;

c) the methods used to provide their services; and

d) the nature of the regulatory environment relating to public services.

A single external customer from which the Company receives more than 10% of its revenue is considered to be a separate customer.

As of 30 June 2018 and 2017 the Company does not have separate reportable operating segments. Additional information about the revenue from sales to external customers is presented in Note 5.1.

n) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and in current accounts and short-term deposits with an original maturity of three months or less.

The management of the Company considers that deposits with maturity of 3 months or less meet the criteria for cash equivalents, as they are easily convertible into cash without any material loss of value. These deposits are convertible into cash without a written notice and without the Company being charged early termination fees.

For the purposes of the statement of cash flows, cash and cash equivalents are defined above. The Company recognizes investment property sales and receivables from sales and rentals of investment property as part of the cash flows from operating activities since they represent the core activity of the Company.

2.2 Summary of significant accounting policies (continued)

o) Provisions

General
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

p) Dividends payable

In compliance with the requirements of the Special Purpose Investment Companies Act (SPICA) the Company is obliged to distribute as dividend not less than 90% of the profit (book profit) for the financial year, adjusted with the effect from subsequent valuations of investment property and the effect from all transactions with investment property, carried out throughout the year. The required minimum amount of dividends payable for the current reporting period in accordance with SPICA is reported in retained earnings decrease for the current period while the difference between the approved dividend payments by the shareholders and the minimum required amount is reported for the next accounting period in retained earnings decrease after a decision taken at the General Assembly of the shareholders.

The dividends shall be paid within 12 months from the end of the respective financial year.

2.3 Changes in accounting policies and disclosures

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year with the exception of the following amendments to standards that have been adopted by the Company as of 1 January 2018:

IFRS 9 *Financial Instruments*: *Classification and Measurement*
The standard is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. Except for hedge accounting, retrospective application of the standard is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.
The Company plans to adopt the new standard on the required effective date and will not restate comparative information. The amendments have no effect on the financial position or performance of the Company.

IFRS 15 *Revenue from Contracts with Customers*
The standard is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. IFRS 15 was issued in May 2014, and amended in April 2016, including standard clarifications. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Under IFRS 15 revenue is recognized to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The new revenue standard will supersede all current revenue recognition requirements under IFRS – IAS 11 Construction contracts and IAS 18 Revenue, as well as related interpretations. The standard requires either a full retrospective application or a modified retrospective application.

2.3 Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations (continued)

IFRS 15 *Revenue from Contracts with Customers (continued)*
During 2017, the Company started an assessment of the effects from adoption of IFRS 15, and the preliminary conclusions from the ongoing assessment indicated that there will be no significant impact on Company's equity as of 31 December 2017 and 1 January 2017 as a result of the implementation of the standard.

3. Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements:

Transfers to investment property held for sale
In accordance with its investment objectives, the Company classifies the acquired property as investment property at the time of their initial recognition. Subsequently, the management makes judgments regarding the transfers from investment property to investment property held for sale when their carrying amount would be recovered through sale rather than through continuing use of the asset. The existence of signed preliminary sale agreements and the receipt of earnest payments by customers under deferred payment contracts, finance leases or direct sales as of the end of the reporting period, are considered to be evidence for the change in the intentions of the management. Thus, the Company presents the respective property as property held for sale at the end of the reporting period. Significant accounting policies for transfers to investment property are presented in Note 2.2. (k).

Transfers of risks and rewards associated with deferred payment sale transactions

When entering into sales agreements requiring non-refundable earnest payments by the buyers and deferred transfer of ownership rights, the Company analyzes whether the material risks and rewards of ownership of the assets are transferred to the buyer at the time of the contract conclusion. The analysis takes into account the consideration received against the consideration payable and the uncertainty as to the completion of the sale. This judgment depends on the specific conditions and characteristics of each transaction.

In 2016 the Company entered into contracts for deferred payment sale of agricultural land. The contracts are concluded for the period of 5 /five/ years while the payments are made in equal annual installments. The right to use the land is conveyed to the buyer upon the reception of an earnest money deposit under the terms of the signed contract, while the passing of title is carried out upon the full payment of the selling price. The buyer is entitled to withdraw from the contract at any time during its agreed period. In this event, the Company keeps the earnest payment made, while each payment, other than the earnest amount, is reimbursed to the buyer.

The Company has analyzed the indicators concerning the transfer of risks and rewards to the buyer, including, but not limited to, the amount of the non-refundable earnest money deposit against the total transaction price, the expected fair value of the asset subject to such type of transaction against the recoverable amount of the transaction price, the historical experience related to the buyer's right of withdrawal from the contract, and has expressed a judgement that at the time the right to use the property has been conveyed to the buyer, the Company has transferred to a large extent the risks and rewards associated with the ownership of the investment property and has not retained an effective control over them. The Company is, to a considerable extent, ceratin that it will receive the economic benefits associated with the transaction.

3. Changes in accounting policy for deferred payment sale of property (continued)

Judgments (continued)

Transfers of risks and rewards associated with deferred payment sale transactions (continued)

As a result of the analysis performed, the Company has changed its accounting policy. The Company considers that the new accounting policy is more consistent with its actual business intentions and expectations and accordingly provides more relevant information in comparison to the existing accounting policy. The reporting of the deferred payment sales in accordance with the changed policy is also consistent with the judgments and the approach adopted by the management in relation to finance lease transactions.

Dividends payable calculation

In compliance with the requirements of the Special Purpose Investment Companies Act, the Company is obliged to distribute as dividend not less than 90% of the profit (book profit) for the financial year, adjusted with the effect from all investment property transactions carried out throughout the year, including the gains/losses on subsequent valuations of investment property. Additional information about the recognized dividends payable as of 31 December 2017 is presented in Note 11.

The Company as a lessor

The Company has entered into one-year agricultural land leases with a renewal option which allows the period to be extended for another year.The management considers that the Company retains substantially all the risks and rewards of ownership of the leased asset that is why such leases are classified as operating leases.

The Company has entered into five-year agricultural land leases, which come into force after the payment of an earnest money deposit. The lessor conveys the lessee the right to use the land at the time of the conclusion of the contract and the title is passed by the end of the lease term unless the lessee wishes to exercise the option to purchase the property earlier by paying the outsatding amount under the contract. Upon termination of the contract by the lessee, all installments made by the time of termination are not reimbursed. The Management believes that under such contracts the Company has transferred all material risks and rewards of ownership of such property and therefore the contracts are treated as finance leases.

The significant accounting policies to apply in relation to leases are presented in Note 2.2 (l).

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Fair value of investment property

The investment property of the Company is measured at fair value using the market approach. The valuation is made by an independent licensed valuer authorised by the Bulgarian Ministry of Agriculture and Food. For 2017 the valuation is carried out without any official representative agricultural market information, including the price levels of agricultural land, rent levels, levels of crop yields by regions, etc. Further information is provided in Note 6. As of 31 December 2017 the valuation is fully based on the market analogy method (comparative method).

3. Significant accounting judgments, estimates and assumptions (continued)

Estimates and assumptions (continued)

Impairment of receivables

The Company uses an allowance account for the impairment of doubtful and bad debt from customers. Management assesses the adequacy of this provision on the basis of an aging analysis of the receivables, historical experience for the level of writing off bad debts, analysis of the solvency of the respective customer, changes in the agreed payment terms, and so on. In case the financial position and operating results of the customers worsen (more than expected) the value of the receivables, which is to be derecognised in subsequent periods, might be above the expected figure at the balance sheet date. As of 30 June 2018 the best possible estimates made by the management for the impairment of receivables amounts to BGN 706 thousand (31 December 2017: BGN 722 thousand). Additional information is disclosed in Note 8.

4. Standards issued but not yet effective and not early adopted

Standards issued but not yet effective and not early adopted up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt those standards when they become effective.

IFRS 16 *Leases*
The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their balance sheet and to have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The Company will analyze and assess the impact of the new standard on its financial position or performance.

IFRS 17*: Insurance Contracts*
The standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. The standard has not been yet endorsed by the EU. It is not applicable for the Company.

Amendments to* IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognized when a transaction involves a business or a partial gain or loss is recognized when a transaction involves assets that do not constitute a business. The IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. It is not expected that these amendments would impact the financial position or performance of the Company.

.

4. Standards issued but not yet effective and not early adopted (continued)

IFRS 2 ***Share-based Payment (Amendments): Classification and Measurement of Share based Payment Transactions***
The amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. These amendments have not yet been endorsed by the EU. It is not expected that these amendments would impact the financial position or performance of the Company.

IFRS 4 ***Insurance Contracts (Amendments): Applying*** **IFRS 9** ***Financial Instruments with*** **IFRS 4** ***Insurance Contracts***
The amendments are effective for annual periods beginning on or after 1 January 2018. The objective of these amendments is to address issues arising from the different effective dates of IFRS 9 Financial Instruments and the upcoming new insurance contracts standard IFRS 17 Insurance Contract. Entities issuing insurance contracts will still be able to adopt IFRS 9 on 1 January 2018. The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from 2018 onwards to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied. They are not relevant for the Company.

IFRIC 22 ***Foreign Currency Transactions and Advance Consideration***
The interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. This interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. The interpretation has not yet been endorsed by the EU. The Company is in the process of assessing the impact of the new interpretation on its financial position or performance.

IFRIC 23 ***Uncertainty over Income Tax Treatments***
The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. This interpretation has not yet been endorsed by the EU. The Company is in the process of assessing the impact of the new interpretation on its financial position or performance.

IAS 40 ***Investment Property (Amendments): Transfers of Investment Property***

The amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The amendments clarify transfers of property to, or from, investment property when there is a change in the use of such property which is supported by evidence. These amendments have not yet been endorsed by the EU. It is not expected that these amendments would impact the financial position or performance of the Company.

IFRS 9 ***Financial Instruments*****:** ***Classification and Measurement (Amendments): Prepayment Features with Negative Compensation***
The Amendments, effective for annual periods beginning on or after 1 January 2019 with earlier application permitted, propose a change to IFRS 9 for particular financial assets that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of a negative prepayment feature. Specifically, for a financial asset that contains a prepayment option that may result in the payment of a reasonable negative compensation amount, the Amendments require the financial asset to be measured at amortized cost or at fair value through other comprehensive income, subject to the assessment of the business model in which it is held. These amendments have not yet been endorsed by the EU. It is not expected that these amendments would impact the financial position or performance of the Company.

4. Standards issued but not yet effective and not early adopted (continued)

IAS 28 ***Investments in associates (Amendments): Long-term Interests in Associates and Joint Ventures***
The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint venture but to which the equity method is not applied. An entity applies IFRS 9 to such long-term interests before it applies IAS 28. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. These amendments have not yet been endorsed by the EU. It is not expected that these amendments would impact the financial position or performance of the Company.

IAS 19 ***Employee benefits (Amendments): plan amendment, curtailment or settlement***

The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. These amendments have not yet been endorsed by the EU. It is not expected that these amendments would impact the financial position or performance of the Company.

Annual Improvements to IFRSs 2014-2016 Cycle
In the 2014-2016 annual improvements cycle, the IASB issued amendments to standards which are effective for annual periods beginning on or after 1 January 2018. Summary of amendments and related standards are provided below:

- IFRS 1 First-time Adoption of International Financial Reporting Standards - deletion of short-term exemptions for first-time adopters;
- IFRS 12 Disclosure of Interests in Other Entities - clarification of the scope of the Standard (IASB effective date: 1 January 2017, however the EU endorsement is after that date)
- IAS 28 Investments in Associates and Joint Ventures - measuring an associate or joint venture at fair value.

It is not expected that these amendments would impact the financial position or performance of the Company.

Annual Improvements to IFRSs 2015-2017 Cycle
In the 2015-2017 annual improvements cycle, the IASB issued amendments to standards which are effective for annual periods beginning on or after 1 January 2019. Summary of amendments and related standards are provided below:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements – clarifying previously held interest in a joint operation;
- IAS 12 Income taxes – clarifying income tax consequences of payments on financial instruments classified as equity;
- IAS 23 Borrowing costs - clarifying borrowing costs eligible for capitalization.

The improvements to IFRSs 2015 – 2017 Cycle have not yet been endorsed by EU. The Company is in the process of assessing the impact of the amendments on its financial statements.

5. Income and expenses

5.1 Income from sales to external customers

	2018	2017
	BGN'000	*BGN'000*
Sales of property with deferred payment terms	1,636	1,770
Direct sales of property	30	5,367
Sales of property as per finance lease	-	257
	1,666	7,394

a) Geographical area information

Revenue from sales of investment property and rental income are from external customer based in Bulgaria.

b) Information on key customers

	Type of revenue	2018	2017
		BGN'000	*BGN'000*
Customer 1	Sales	1,197	-
Customer 2	Sales	188	-
Customer 3	Sales	-	2,900
Customer 4	Sales	-	1,048
Customer 5	Sales	-	914
Customer 6	Rentals	597	587
Customer 7	Rentals	403	424

Key customer information includes revenue from sales of investment property and rental income from from these customers, which represent 10% or more of the revenue from sales of investment property and from rental income for the respective reporting periods.

All entities under common control are considered as one customer for the purposes of this disclosure.

5.2 Other income

	2018	2017
	BGN'000	*BGN'000*
Income from impaired in prior periods receivables (Note 8)	16	3
Income from statutory interest charged for late payment of trade receivables	5	1
Compensation for lost ownership of property	1	-
Income from legally established ownership to property	-	5
	22	9

5. Income and expenses (continued)

5.3 Expenses on hired services

	2018	2017
	BGN'000	*BGN'000*
Consulting services expenses	1,346	1,608
Brokers' commissions	191	331
Professional insurance expense	23	13
Advertisement expenses	11	11
Annual fees	9	28
Property management costs	2	25
Other expenses and fees	14	14
	1,596	**2,030**

More detailed information about the consulting services expenses is presented below:

	2018	2017
	BGN'000	*BGN'000*
Fees due to the Servicing company (Note 13.1)	1,300	1,577
Valuation fees	20	15
Other consulting services	26	16
Total	**1,346**	**1,608**

5.4 Finance income

	2018	2017
	BGN'000	*BGN'000*
Interest income on deferred payment contracts	328	227
Interest income on lease purchase contracts	49	62
Interest income from bank accounts and deposits	28	4
	405	**293**

6. Property

6.1 Investment property

	Agricultural land	Property within urbanized territories	Property lawsuits filed	Other	Total
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Level within the fair value hierarchy	Ниво 3	Level 3	Level 3	Level 3	Level 3
Fair value					
On 1 January 2017	169,947	15,632	-	206	185,785
Additions during the year	3,734	-	-	-	3,734
Disposals during the year	(7,168)	(911)	-	(206)	(8,285)
Classified as assets held for sale (Note 6.2)	(1,411)	-	-	-	(1,411)
On 31 December 2017	**165,102**	**14,721**	**-**	**-**	**179,823**
Subsequent fair value measurement (restated)	21,261	508	-	-	21,769
On 31 December 2017	**186,363**	**15,229**	**-**	**-**	**201,592**
Fair value					
On 1 January 2018	186,363	15,229	-	-	201,592
Additions during the year	3,152	-	-	-	3,152
Disposals during the year	(91)	-	-	-	(91)
On 30 June 2018	**189,424**	**15,229**	**-**	**-**	**204,653**
Subsequent fair value measurement	-	-	-	-	-
On 30 June 2018	**189,424**	**15,229**	**-**	**-**	**204,653**

The properties within the urbanized territories include 62,176 sq.m. regulated landed properties with carrying amount as at 30 June 2018 of BGN 11,679 thousand (31 December 2017: 62,176 sq.m. with carrying amount of BGN 11,679 thousand).

Transfer to investment property held for sale

In accordance with the disclosure made in Note 6.2, as of 30 June 2018 the Company has signed preliminary agreements for the sale of 679 decares of agricultural land (31 December 2017: 2,194 decares of agricultural land), classified as investment property held for sale.

6. Property (continued)

6.1 Investment property (continued)

Fair value measurement

As of 31 December 2017 a valuation of the Company's investment property is made by an independent licensed valuer who holds the appropriate professional qualification and uses the latest observations on the locations of the investment property. The current use of the Company's investment property is considered to be the highest and best use. For 2017 the valuation is carried out without any official representative agricultural market information, including the price levels of agricultural land, rent levels, levels of crop yields by regions, etc.

As of 31 December 2017 the valuation of the Company's investment property is based on the fair market value model. Fair market value (FMV) is the most likely value at which an asset can be sold on a competitive market and in compliance with all the conditions for realizing a fair and transparent sale, namely: the buyer and the seller are willing and unpressured to trade and have reasonable knowledge of the respective asset; both sides are driven by their own interests; they act independently of any external influence and are aware that the realization period of the transaction should be of reasonable length.

As of 31 December 2017 the valuation is fully based on the market analogy method (comparative method). By means of this method, the value of a given property is determined by comparing the property's main characteristics to identical or comparable characterisitcs of another property of the same type. There is available information regarding the property's "ask" and selling prices. Moreover, if the transactions, for which there is avalable information, are carried out immediately before the time of valuation, the market value of the property will be measured more reliably.

The key assumptions and unobservable inputs used in the fair value measurement of investment property include the average values of actual "ask" or selling prices of comparable agricultural property by district, ranging from BGN 677 per decare to BGN 1,401 per decare, depending on the location and size of the observed analogues. For property acquired after 1 October 2017 the fair value of the investment property is assumed to be the purchase price.

The changes in the fair values of investment property are recognized in the statement of comprehensive income as profit or loss for the year.

Sensitivity analysis

Significant increases/decreases in agricultural land market prices would result in substantially higher/(lower) fair values of investment property.

Geographical area information

The Company's investment property is located on the territory of the Republic of Bulgaria.

Other disclosures

As at 30 June 2018 and 30 June 2017 respectively, the Company has concluded rent and lease contracts for approximately 159,140 decares and 163,185 decares of agricultural land. The realized income from rent and lease for the period 30 June 2018 and 30 June 2017 amounting to BGN 3,190 thousand and BGN 3,239 thousand respectively, is reported in the statement of comprehensive income.

For the reported period the Company realized the following sales:

- sales under deferred payment terms contracts of 1,602 decares agricultural land (30 June 2017: 1,664 decares agricultural land.
- direct sales of 15 decares agricultural land (30 June 2017: 4,696 decares agricultural land)

6. Property (continued)

6.2 Investment property held for sale

	30.06.2018	31.12.2017
	BGN'000	*BGN'000*
Balance at 1 January	2,446	8,028
Property sold during the period	(1,515)	(7,485)
Classified as property held for sale (Note 6.1)	-	1,411
Subsequent fair value measurement	-	492
Balance at the end of the period	**931**	**2,446**

Investment property held for sale is reported at fair value. The fair value is determined by an independent valuer using the market analogy method. Changes in the fair values of property held for sale are recognized in the statement of comprehensive income. Detailed information about the key assumptions of the market analogy method is presented in Note 6.1.

7. Receivables on lease contracts and sales with deferred payment terms

7.1 Receivables on sales of property under lease contracts

As at 30 June 2018

	Up to 1 year	From 1 year to 5 years	Total
	BGN'000	*BGN'000*	*BGN'000*
Gross investments in lease contracts	666	1,398	2,064
Unearned finance income	(78)	(70)	(148)
Carrying amount	**588**	**1,328**	**1,916**

As of 31 December 2017

	Up to 1 year	From 1 year to 5 years	Total
	BGN'000	*BGN'000*	*BGN'000*
Gross investments in lease contracts	669	1,636	2,305
Unearned finance income	(93)	(106)	(199)
Carrying amount	**576**	**1,530**	**2,106**

As of 30 June 2018 the Company has finance lease contracts for 2,980 decares of agricultural land (31 December 2017: 2,980 deacres).

7. Receivables on lease contracts and sales with deferred payment terms (continued)

7.2 Receivables on sales with deferred payment terms

As at 30 June 2018

	Up to 1 year	From 1 year to 5 years	Total
	BGN'000	*BGN'000*	*BGN'000*
Gross receivables on sales with deferred payment terms	3,794	11,595	15,389
Unearned finance income	(573)	(546)	(1,119)
Carrying amount	**3,221**	**11,049**	**14,270**

As at 31 December 2017

	Up to 1 year	From 1 year to 5 years	Total
	BGN'000	*BGN'000*	*BGN'000*
Gross receivables on sales with deferred payment terms	3,512	11,066	14,578
Unearned finance income	(604)	(763)	(1,367)
Carrying amount	**2,908**	**10,303**	**13,211**

As of 30 June 2018 the Company has deferred payment sales contracts concluded for the sale of 19,157 deacres of agricultural land (31 December 2017: 17,148 deacres).

For part of the deferred payment sales contracts, the customers have the option for earlier gaining of a legal title. This may happen between the 19th and 48th month of the contract by paying the full amount of a reduced purchase price.

8. Trade and other receivables

	30.06.2018	31.12.2017
	BGN'000	*BGN'000*
Rent receivables, gross	4,263	2,765
Impairment	(706)	(722)
Rent receivables, net of impairment	3,557	2,043
Advance payments to brokers and counterparties	745	716
Court receivables	27	30
Interest receivables from deposits in BGN	2	15
Other	12	30
	4,343	**2,834**

The amount of past-due and impaired rent receivables is BGN 706 thousand and BGN 722 thousand as at 30 June 2018 and 31 December 2017, respectively.

8. Trade and other receivables (continued)

Movements in the provision for the impairment of rent receivables for 2018 and for 2017 are as follows:

	2018	2017
	BGN'000	*BGN'000*
Balance at 1 January	722	636
Provision accrued	-	239
Provision reversed (Note 5.2)	(16)	(8)
Provision written off against carrying amount of receivables	-	(145)
Balance at the end of the period	**706**	**722**

As of 30 June 2018 the Company has collected 43% of its receivables under the rent contracts concluded for the current 2017-2018 financial year (31 December 2017: 38%).

The ageing analysis of trade receivables that were not impaired is illustrated in the table below:

			Past due but not impaired				
	Total	Neither past due nor impaired	< 30 days	30-60 days	60-90 days	90-180 days	>180 days
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
30.06.2018	3,557	2,664	-	-	-	-	893
31.12.2017	2,043	1,014	-	-	-	1,020	9

9. Cash and short-term deposits

	30.06.2018	31.12.2017
	BGN'000	*BGN'000*
Cash on hand	109	114
Cash in bank accounts	2,810	3,574
Short-term deposits	24,036	26,000
	26,955	**29,688**

Cash in bank accounts earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods – between 3 months and 6 months, depending on the immediate cash requirements of the Company. They earn interest at the negotiated fixed rates.

10. Share capital and reserves

10.1 Share capital

The share capital of the Company comprises 85,110,091 fully-paid ordinary registered dematerialized shares with par value of BGN 1 each. All shares are dividend shares with liquidation quota which carry a right to one vote per share at the General Assembly of shareholders.

	Number of shares (thousands)	Par value (BGN)	Share capital (BGN'000)
At 1 January 2017	85,110	1	85,110
At 31 December 2017	85,110	1	85,110
At 30 June 2018	85,110	1	85,110

List of the main shareholders of the Company is presented below:

	30 June 2018 Number of shares	30 June 2018 Shareholding (%)	31 December 2017 Number of shares	31 December 2017 Shareholding (%)
International Finance Corporation	15,068,523	17.70	15,068,523	17.70
Karoll Finance EOOD	15,022,594	17.65	15,022,594	17.65
NN Universal Pension Fund	5,000,000	5.88	5,169,756	6.07
	35,091,117	**41.23**	**35,260,873**	**41.42**

As of 30 June 2018 the remaining part of the share capital is held by 165 legal entities /30,158,350 shares/ and 1,740 natural persons /19,860,624 shares/, each of whom holding less than 5% of the capital.

As of 31 December 2017 the remaining part of the share capital is held by 171 legal entities /30,384,820 shares / and 1, 691 natural persons /19,464,398 shares /, each of whom holding less than 5% of the capital.

According to the provisions of ASIPC, the Company is not entitled to hold own shares.

10.2 Share premium

As at 30 June 2018 the share premium amount is BGN 43,411 thousand (31 December 2017: BGN 43,411 thousand). It is the result of five increases of the Company's capital in the period between 2005 and 2008 and presents the difference between the issue price and nominal value of the new shares. Share premium can only be used to cover losses from a previous year.

10.3 Other reserves

Non-received and unclaimed dividends after the expiration of the five-year prescription period are reported as other reserves of the Company. As of 30 June 2018 their amount is: BGN 4 thousand (31 December 2017: BGN 4 thousand).

11. Provisions

11.1 General provisions

	30.06.2018	31.12.2017
	BGN'000	*BGN'000*
Balance at 1 January	35	55
Provisions reversed during the year	-	(20)
Balance at the end of the period	**35**	**35**

According to the legal consultants of the Company, the lawsuits filed against buyers of Company's property regarding the ownership rights over already sold property, will be lost and the buyers will be evicted from the property. Therefore, the Company has accrued provisions for the repayment of the amount paid pursuant to the sales contract.

11.2 Provision for dividends

In compliance with Article 10 of ASIPC, the Company is obliged to allocate as dividend no less than 90% of the financial result, which shall be converted following the procedure outlined in Article 10, Paragraph 3 of the same Act.

According to a decision of the regular annual General Assembly of Shareholders held on the 29 June 2018, the Company distributed a dividend for 2017 to the amount of BGN 9,022 thousand (BGN 0.106 per share).

The amount of dividend payout for 2017 was determined as follows:

	2017
Book profit, as per the statement of comprehensive income	30,103
Adjustment for:	
Net gain on subsequent measurement of investment property, net (Article 10, Para. 3, item 1 of ASIPC)	(22,261)
Profits on transactions for transfer of ownership of property (Article 10, Para. 3, item 2 of ASIPC)	(3,646)
Losses on transactions for transfer of ownership of property (Article 10, Para. 3, item 2 of ASIPC)	110
Difference between the selling price and the historical cost of the property (Article 10, Para. 3, item 3 of ASIPC)	6,967
Profits on sales, reported in the year of conclusion of finance lease contracts (Article 10, Para. 3, item 4 of ASIPC)	(65)
Positive difference between lease cost and historical cost at the expiry of the term of validity of the financial lease (Article 10, Para. 3, item 5 of ASIPC)	588
Profits on sales, reported in the year of conclusion of deferred payment contracts (Article 10, Para. 3, item 4 of ASIPC)	(2,212)
Carrying amount of expropriated parts of newly-formed regulated land plots	911
Historical cost of expropriated parts of newly-formed regulated land plots	(574)
Adjusted financial result for the period	9,921
Dividend for distribution, under a decision of the General Assembly of shareholders – 90.94% of the adjusted financial result	9,022
Dividend distribution - 90% of the adjusted financial result	(8,929)
Dividend payable to be additionally accrued in 2017	**93**

11. Provisions (continued)

11.2 Provision for dividend (continued)

In 2018 and in 2017 the movement in the dividend payable can be presented as follows:

	30.06.2018	31.12.2017
	BGN'000	*BGN'000*
Balance at 1 January	9,001	13,244
Dividends distributed for the current year	-	8,929
Additionally accrued distributed dividends for 2016	-	1,376
Additionally accrued distributed dividends for 2017	93	
Dividends paid, net after tax deductions	(5)	(14,356)
Tax deductions on payments of dividends	-	(191)
Dividends with expired statute of limitations	-	(1)
Balance at the end of the period	**9,089**	**9,001**

As at 30 June 2018, the Company has reported unpaid dividend obligation for the period from 2012 to 2016, to the total amount of BGN 67 thousand (31 December 2017: BGN 72 thousand).

12. Trade and other payables

	30.06.2018	31.12.2017
	BGN'000	*BGN'000*
Payables to the Servicing company (Note 13.1)	771	953
Advance payments received for the financial year 2017-2018	654	1,741
Advance payments received for the financial year 2018-2019	523	-
Advance payments received from property sales	146	216
Payables to suppliers and brokers	70	64
Other	6	5
	2,170	**2,979**

The terms and conditions of the payables set out in the table above are as follows:

- Payables to suppliers and brokers are non-interest bearing and are normally settled on 14-day terms.
- Payables to the financial services company are non-interest bearing and are normally settled on 30-day terms.

13. Related party disclosures

13.1 Fees due to the Servicing company

The Company has a service contract with Karoll Finance EOOD, which holds 17.65% of the share capital of the Company. In accordance with the provisions of the contract, Karoll Finance EOOD shall provide consultancy and administrative services and human resources services in return for an annual fee which shall be calculated as follows:

1. 0.375% of the value of the Company's investment property at acquisition cost, payable for each quarter;
2. 10% of the receivables of the Company from rent and leasing, calculated at the end of each quarter;

13. Related party disclosures (continued)

13.1 Fees due to the Servicing company (continued)

3. 10% of the difference between the selling price and the acquisition cost in the case of sales transaction, provided that the internal rate of return (IRR) on the investment amounts to at least 15%, calculated on an annual basis.
4. 2.5% on the difference between the lease price/selling price under a finance lease contract/deferred payment contract and the acquisition cost of the relevant property;
5. Annual management and administration fee for each finance lease contract/deferred payment contract to the amount of 0.6 on the fee under Item 4 (above) for every year of the duration of the finance lease contract/deferred payment contract.

The total amount of the fee under the service contract with Karoll Finance EOOD (the financial services company in compliance with ASIPC) amounts to BGN 1,300 thousand and BGN 1,557 thousand for 30 June 2018 and 30 June 2017, respectively.

	30.06.2018	30.06.2017
	BGN'000	*BGN'000*
Balance at 1 January	953	861
Accrued during the period	1,300	1,577
Paid during the period	(1,482)	(1,715)
Balance at the end of the period	**771**	**723**

13.2 Board of Directors remuneration

The Board of Directors remuneration is determined by the General Assembly of Shareholders. From the beginning of the reporting period till the end of June 2018 the Company has paid remuneration amounting to BGN 40 thousand to the members of the Board of Directors, including BGN 6 thousand for social security contributions. There is no change compared to the remuneration paid in 2017.

The Company has not opted for a defined-benefit pension plan for its employees or for share-based payments.

13.3 Transactions with related parties to the Servicing company Karoll Finance EOOD

The table below provides information about the total amount of transactions that the Company has entered into with related parties to the financial services company Karoll Finance EOOD as well as the relevant information regarding outstanding balances as of 30 June 2018 and 30 June 2017.

For the period 01.01.2018 – 30.06.2018

Leases	Receivable at the beginning of the period	Accrued during the period	Received during the period	Receivable at the end of the period
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
Agro Terra Sever AD	693	284	-	977
Remuss OOD	357	120	-	477

13. Related party disclosures (continued)

13.3 Transactions with related parties to the Servicing company Karoll Finance EOOD (continued)

For the period 01.01.2017 – 30.06.2017

Leases	Receivable at the beginning of the period	Accrued during the period	Received during the period	Receivable at the end of the period
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
Agro Terra Sever AD	657	276	-	933
Remuss OOD	347	149	-	496

14. Basic earnings per share

	2018	2017
	BGN'000	*BGN'000*
Profit for the period (BGN'000)	2,005	4,064
Day-to-day weighted average number of shares	85,110,091	85,110,091
Basic earnings per share (BGN)	0.024	0.048

The weighted average number of shares is calculated by adjusting the ordinary shares in issue at the beginning of the period by the number of the shares issued during the period, multiplied by a time-weighting factor.

15. Financial risk and capital management objectives and policies

The activity of the Company is exposed to various financial risks: credit risk, interest rate risk, liquidity risk and market risk (including foreign currency risk and price risk).

Credit risk

The Company carries out credit policies to attract creditworthy customers with good financial standing and credit history in order to manage investment property. The Company is not exposed to any significant credit risk.

The table below shows the Company's maximum exposure to credit risk for each class of financial asset:

	30.06.2018	31.12.2017
	BGN'000	*BGN'000*
Receivables from sales with deferred payment terms (Note 7.2)	14,270	13,211
Trade receivables, net of impairment (Note 8)	3,557	2,043
Finance lease receivables (Note 7.1)	1,916	2,106
Court receivables (Note 8)	27	30
Interest receivables from deposits in BGN (Note 8)	2	15
Cash and short-term deposits (Note 9)	26,955	29,688
	46,727	**47,093**

15. Financial risk and capital management objectives and policies (continued)

Credit risk (continued)

An analysis of the credit quality of financial assets is presented below:

	30.06.2018	31.12.2017
	BGN'000	*BGN'000*
Trade receivables, gross		
Rent receivables	2,664	1,014
Receivables on contracts with deferred payment terms	14,270	13,211
Receivables on finance lease contracts	3,557	2,106
Total receivables neither past due, nor impaired	**20,491**	**16,331**
Past due, but not impaired		
- past due up to 30 days	-	-
- past due between 30 – 90 days	-	-
- past due between 90 – 180 days	-	1,020
- past due between 180 – 360 days	893	-
Total receivables past-due, but not impaired	**893**	**1,020**
Receivables individually impaired, gross		
- past due over 1 year	229	248
- past due between 2 and 5 years	477	483
Total receivables individually impaired	**706**	**731**
Less provision for impairment of receivables	*(706)*	*(722)*
Total receivables after impairment loss	**21,384**	**17,360**

Cash and short-term deposits, neither past due, nor impaired, are presented in the table below:

Credit rating*	30.06.2018	31.12.2017
	BGN'000	*BGN'000*
BBB+	2,810	3,574
BBB-	24,036	26,000
	26,846	**29,574**

* *The credit rating is prepared by Fitch Ratings*

15. Financial risk and capital management objectives and policies (continued)

Liquidity risk

In order to assess the exposure to liquidity risk, the Company monitors its cash flows, the maturities of its debt obligations and its liquidity ratio. The Company always maintains sufficient liquid funds to provide financial resources for its activities and to reduce the effects of cash flows fluctuations. The financial resources for the Company's business activities are provided through public offering of securities and through numerous credit possibilities offered by different financial institutions. The Company's loans are secured against the investment property it possesses.

The table below summarises the maturity profile of the Company's financial assets and liabilities based on contractual undiscounted payments.

As of 30 June 2018

Financial assets	<1 month	1-3 months	3-12 months	1-5 years	Total
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Cash and short-term deposits	23,955	3,000	-	-	26,955
Interest receivables from deposits in BGN	-	2	-	-	2
Finance lease receivables, gross	21	172	473	1,398	2,064
Receivables from deferred payment sales, gross	464	1,813	1,517	11,595	15,389
Court receivables	27	-	-	-	27
Trade receivables, net of impairment	893	-	2,664	-	3,557
	25,360	**4,987**	**4,654**	**12,993**	**47,994**

Financial liabilities	<1 month	1-3 months	3-12 months	1-5 years	Total
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Payables to suppliers and brokers	70	-	-	-	70
Payables to related parties	573	133	65	-	771
Dividends payable	9,089	-	-	-	9,089
	9,732	**133**	**65**	**-**	**9,930**

15. Financial risk and capital management objectives and policies (continued)

Liquidity risk (continued)

As of 31 December 2017

Financial assets	<1 month	1-3 months	3-12 months	1-5 years	Total
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Cash and short-term deposits	3,688	5,000	21,000	-	29,688
Interest receivables from deposits in BGN	-	3	12	-	15
Finance lease receivables, gross	-	66	603	1,636	2,305
Receivables from deferred payment sales, gross	72	117	3,323	11,066	14,578
Court receivables	30	-	-	-	30
Trade receivables, net of impairment	1,109	-	934	-	2,043
	4,899	**5,186**	**25,872**	**12,702**	**48,659**

Financial liabilities	<1 month	1-3 months	3-12 months	1-5 years	Total
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Payables to suppliers and brokers	64	-	-	-	64
Payables to related parties	860	9	84	-	983
Dividends payable	72	-	8,929	-	9,001
	996	**9**	**9,013**	**-**	**10,018**

Interest rate risk

The value of the Company's assets depends on the changes in market interest rates. The Company is exposed to the risk related to interest rates fluctuations since the yield on interest-bearing assets changes as a result of the changes in market interest rates. With regard to the floating interest rates, the Company is exposed to a risk related to the interest rate index which is used to determine the value of the relevant financial instrument. As at 30 June 2018 and 31 December 2017, the Company does not have significant financial assets and liabilities with floating interest rates and therefore the Company's exposure to interest rate risk is insignificant.

Foreign currency risk

The Company is exposed to foreign currency risk when carrying out transactions with financial instruments denominated in foreign currencies. The transactions denominated in foreign currencies generate profit and loss from foreign exchange differences. As of 30 June 2018 and 31 December 2017 the financial assets and investments are denominated in BGN and EUR. Since the exchange rate of BGN/EUR is fixed, the foreign currency risk originating from the EUR exposure of the Company is insignificant. As of the reporting date the Company has no exposure to foreign currencies different from BGN and EUR.

15. Financial risk and capital management objectives and policies (continued)

Market risk

Market risk is a systematic risk, which influences the value of all assets. It depends on the macroeconomic environment and the state of the capital market in the country. The market risk is beyond the Company's control and as a whole it cannot be reduced or eliminated through diversification. One of the main strategies to reduce market risk and its components is to collect and process information about the macroeconomic environment. Based on this information, the Company can make projections and adapt its investment policy to the expected changes in the environment.

The Company's investment portfolio allocates at least 90% of its assets in agricultural land and up to 10% in land in urbanized territories. The agricultural land is exposed to a low risk related to changes in the level of prices and the level of rents.

Advance Terrafund REIT continues to pursue the policy to invest in high quality property thus meeting the needs for the development of modern and sustainable agriculture. The Company rents out and leases agricultural and urbanized land and creates long-term value for its first-class tenants/lessees/.

The structure of the Company's investment portfolio (without investment property held for sale) is as follows:

	30 June 2018		31 December 2017	
	Fair market value BGN thousand	% of net assets valued at market price	Fair market value BGN thousand	% of net assets valued at market price
Agricultural land	189,424	92.56	186,363	92.45
Property in regulation	11,679	5.71	11,679	5.79
Property in urbanized territories	3,550	1.73	3,550	1.76
Total	**204,653**	**100.00**	**201,592**	**100.00**

Capital risk

Capital management aims to maximize the return to shareholders through the optimization of the capital structure. The Company's strategy has remained unchanged since 2017. The capital structure comprises cash and short-term deposits and equity (see Note 9 and Note 10, respectively).

	30.06.2018	31.12.2017
	BGN'000	*BGN'000*
Total liabilities	11,294	12,015
Less: cash and short-term deposits	(26,955)	(29,688)
Net debt	(15,661)	(17,673)
Non-current liabilities	-	-
Equity	241,774	239,862
Debt-to-equity ratio (non-current liabilities to equity)	0	0

16. Fair value measurement

Quantitative disclosures related to the fair value hiera/rchy as of 30 June 2018

	Measurement date	Carrying amount	Quoted market prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
Assets, measured at fair value:					
Investment property (Note 6.1)					
Agricultural land	30.06.2018	189,424	-	-	189,424
Property in regulation	30.06.2018	11,679	-	-	11,679
Property in urbanized territories	30.06.2018	3,550	-	-	3,550
Investment property held for sale (Note 6.2)	30.06.2018	931	-	-	931
Assets, for which fair value is disclosed:					
Receivables on finance lease contracts (Note 7.1)	30.06.2018	1,916	-	1,916	-
Receivables on contarcts with deferred payment terms (Note 7.2)	30.06.2018	14,270	-	14,270	-

16. Fair value measurement (continued)

Quantitative disclosures related to the fair value hierarchy as of 31 December 2017

	Measurement date	Carrying amount	Quoted market prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
Assets, measured at fair value:					
Investment property (Note 6.1)					
Agricultural land	31.12.2017	186,363	-	-	186,363
Property in urbanized territories	31.12.2017	3,550	-	-	3,550
Property in regulation	31.12.2017	11,679	-	-	11,679
Investment property held for sale (Note 6.2)	31.12.2017	2,446	-	-	2,446
Assets, for which fair value is disclosed:					
Receivables on finance lease contracts (Note 7.1)	31.12.2017	2,106	-	2,106	-
Receivables on contarcts with deferred payment terms (Note 7.2)	31.12.2017	13,211	-	13,211	-

In 2018 and in 2017 no transfers occurred between the levels in the fair value hierarchy.

Fair value of financial instruments

A comparative analysis of the carrying amounts and fair values of the Company's financial instruments is presented below:

	Carrying amount		*Fair value*	
Financial assets	30.06.2018	31.12.2017	30.06.2018	31.12.2017
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
Receivables on deferred payment sales	14,270	13,211	14,270	13,211
Receivables on finance leases	1,916	2,106	1,916	2,106
Trade receivables	3,557	2,043	3,557	2,043
Court receivables	27	30	27	30
Interest receivables from deposits	2	15	2	15
Cash and short-term deposits	26,955	29,688	26,955	29,688

16. Fair value measurement (continued)

Fair value of financial instruments (continued)

	Carrying amount		*Fair value*	
Financial liabilities	30.06.2018	31.12.2017	30.06.2018	31.12.2017
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
Payables to suppliers and brokers	70	64	70	64
Payables to related parties	771	953	771	953
Dividends payable	9,089	9,001	9,089	9,001

Fair value of the financial instruments of the Company is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement is based on the following methods and assumptions:

- Fair values of long-term financial assets with fixed interest rates are determined by discounting the estimated future cash flows using current market interest rates.
- Fair values of financial instruments which include cash and short-term deposits, trade receivables, trade payables and other financial assets and liabilities reasonably approximate the respective carrying amounts because of their short-term character.

17. Events after the reporting date

No other events have occurred after the reporting date which require additional adjustments and/or disclosures in the financial statements of the Company for the period ended 30 June 2018.