ADVANCE TERRAFUND ADSIC

ANNUAL MANAGEMENT REPORT AND
FINANCIAL STATEMENTS
31 December 2022

ADVANCE TERRAFUND ADSIC

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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
Stanimir Kachulev

Registered office

1 Zlatovrah St.
Lozentets district
1164 Sofia

Depositary bank

United Bulgarian Bank AD

Financial services company

Karoll Finance EOOD

Auditors

Ernst & Young Audit OOD
Polygraphia Office Centre
47 A, Tsarigradsko shose Blvd., fl.4
1124 Sofia

General information about the Company

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

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 property 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 Act on Special Investment Purpose Companies and on Securitization Companies /ASIPCSC/ 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-SIPC from 14 July 2005 of the Financial Supervision Commission.

The Company is incorporated for an unlimited duration.

The Company has a one-tier management system. The Board of Directors (BOD) 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.

Entrusted with the general management are the members of the Company's Audit Committee: Kamen Petrov Kamenov – Chairman of the Audit Committee, Zhechko Dimitrov Petrov – Member of the Audit Committee and Stanimir Petrov Kachulev – Member of the Audit Committee.

Karoll Finance EOOD is a third party pursuant Art. 27, para. 4 of ASIPCSC /financial services company/ of Advance Terrafund ADSIC, which as of 31 December 2022, owns 32,25% of the capital of Advance Terrafund ADSIC. 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 31 December 2022 the capital of the Company amounts to BGN 85,110,091.

Investment strategy, purposes and limitations of the Company

Advance Terrafund ADSIC is a joint-stock special investment purpose company which, under the terms and conditions of the ASIPCSC, invests the funds raised through the issuance of securities in real estate.

The investment purposes of the Company are:

- To afford its shareholders the opportunity to invest in a diversified portfolio of real estate, following the principle of risk distribution;
- To ensure for its shareholders preservation and increase of the value of their investments through realization of steady income with a balanced risk distribution.

The strategy of the Company envisages investment in real estate meeting the requirements of Article 10 of the Statutes of Advance Terrafund ADSIC with the purpose of receiving current income from rental, leasing and conceded right of use agreements as well as through the sale of these real estate properties to generate steady income. In order to achieve its main purpose, the Company may apply suitable strategies for protection from market and currency risks.

According to Art. 11, para. 1 of the Articles of Association of Advance Terrafund ADSIC, the Company may not:

- be transformed into another type of commercial company except in the cases under Art. 16, item 4 of the ASIPCSC;
- change its subject of activity, except in the cases under Art. 16, item 4 of the ASIPCSC;
- secure foreign liabilities, with the exception of bank loans granted to a subsidiary under Art. 28, para. 1 of the ASIPCSC, and cannot provide loans and receive loans from persons other than banks. For securing the obligations under bank loans of a subsidiary under Art. 28, para. 1 of the ASIPCSC is required prior approval by the General Assembly of Shareholders of the Company;

- acquire shareholdings in other companies, except in the cases, under the conditions and up to the amount of shareholding participation, defined in art. 25, para. 4 and para 5 of the ASIPCSC;

- participate in the capital market by investing in assets other than those under Art. 25, para. 1 - 3 of the ASIPCSC, or to perform buyback by the order of art. 111, para. 5 of the Public Offering of Securities Act, except in the cases under Art. 18 of the ASIPCSC.

Financial objectives:

- Providing steadily increasing current income for the shareholders in the form of cash dividends through renting out the land owned by the Company;

- Maximizing the value of the shareholders' investments through continuous active management of the assets of the Company and acquisition/sale of agricultural properties;

- Diversification of the portfolio of agricultural properties through investment in various types of agricultural property (arable land, land with perennial plants, vineyards, etc.) located in different regions of the Republic of Bulgaria with a view to reducing the non-systematic risks of the investment portfolio;

- Securing liquidity for the shareholders of the Company through listing the shares of Advance Terrafund ADSIC for trade at the Bulgarian Stock Exchange – Sofia;

- Performing the necessary capital increases with the purpose of structuring a balanced portfolio of real properties.

The investment policy of the Company envisages investment of its raised capital in real properties determined on the basis of their main and specific designations as per the development designs and the detailed development plans as follows:

- Land properties in agricultural territories – arable land /fields, orchards, vegetable gardens, vineyards, meadows, etc./ and non-arable land;

- Land properties in urbanized territories /settlements and villages/ designated for residential, public, production, warehousing, resort, recreational and sports functions;

- Land properties in forest territories – forests and forest land.

According to the investment policy of the Company, the investments in landed property represent up to 90% of the carrying amount of the assets of the Company for the respective year as per its Annual Financial Statements.

The Company has the following options for investment of its free funds:

- securities issued or guaranteed by a Member State;

- bank deposits with banks that are entitled to operate in the territory of a Member State.

The Act on SIPCSC allows the Special Investment Purpose Company investing in real estate:

- to invest up to 10 per cent of its assets in mortgage bonds admitted to trading on a trading venue in a Member State.

- to invest up to 10 percent of its assets in other special investement purpose companies, investing in real estate.

- to invest up to 30 percent of its assets in specialized companies under Art. 28, para 1.

- to invest up to 10 percent of its assets in third parties under Art. 27, para. 4.

- the total amount of the investments above of the special investment purpose company may not exceed 30 percent of its assets.

1. Information presented in values and quantities about the main categories of goods, products and/or rendered services, indicating their shares in the sales income of the Issuer as a whole and the changes during the reporting financial year

The properties of the Company as of 31 December 2022 include agricultural land of approximately 170,557 decares of total value of BGN 288,750 thousand, properties in urbanized territory of approximately 61 decares of total value of BGN 1,015 thousand, and investment properties held for sale for 8,413 decares of total value of BGN 23,580 thousand or a total of BGN 313,345 thousand, including BGN 197,033 thousand revaluation to fair value.

The Company has signed rental and lease agreements for 142,702 decares, representing 79.74% of the total agricultural land purchased, for the agricultural year of 2022–2023. The average income from rent/lease for the economic year amounts to BGN 56.16 per decare. The realized rental income for 2022 and 2021, respectively in the amount of BGN 6,684 thousand and BGN 6,801 thousand, are reported in the statement of comprehensive income.

In the past 2022 the Company realized direct sales of 8,527 decares of agricultural land.

Information on the value and relative share of the main sales revenue categories is presented, as follows:

	2022	**2022**	**2021**	**2021**
	BGN thousand	% share	BGN thousand	% share
Income from direct sale of property	23,861	78.00%	60,918	84.61%
Income from rent of investment property	6,684	21.85%	6,801	9.45%
Income from unexercised options on realized in previous periods sales of properties on deferred payment	45	0.15%	145	0.20%
Income from sale of investment in a subsidiary	-	-	4,107	5.70%
Other income	-	-	29	0.04%
Total income from sales and rentals	**30,590**	**100.00%**	**72,000**	**100.00%**

2. Information about the income divided into separate categories of activities, domestic and foreign markets and information about the sources of supply of materials necessary for the production of goods or rendering of services, indicating the level of dependency for each individual seller or buyer/consumer and information about each person separately, its share in the sales or purchases and its relations with the Issuer in case that the relative share of any of them exceeds 10% of the expenses or sales income

	2022	2021
Income from revaluation of investment properties, net	89,256	35,322
Income from direct sale of property	23,861	60,918
Income from rent of investment property	6,684	6,801
Income from sale of property with deferred payment terms, including from options	45	145
Income from interests	33	162
Income from sale of investment in a subsidiary	-	4,107
Other income	282	103
Total income	**120,161**	**107,558**

Advance Terrafund ADSIC is a joint-stock special investment purpose company which invests the money raised through the issuance of securities in real estate.

Pursuant to the provisions of the Act on SIPCSC and its Article of Association, the Company has the right to invest its raised funds in real estates, which must be located on the territory of the Republic of Bulgaria or on the territory of one of the Member States of the European Union or the countries - parties to the Agreement on the European Economic Area.

Sources for financing the activities of the Company in 2022 are the proceeds from rents and sales of investment property.

The Company executed transactions for agricultural land sale, realizing income forming over 10% of the income from sales, with the following clients:

2022

Client	Amount of income, BGN thousand	Share of income from sales, %	Relation to the Issuer
Client 1	22,880	95.71%	Non-related party

2021

Client	Amount of income, BGN thousand	Share of income from sales, %	Relation to the Issuer
Client 3	27,736	42.54%	Non-related party
Client 4	12,514	19.19%	Non-related party

The Company has executed transactions for renting of agricultural lands, realizing income forming over 10% of the rental income, with the following clients:

2022

Client	Amount of income, BGN thousand	Share of income from renting, %	Relation to the Issuer
Client 2	992	14.84%	Related party

2021

Client	Amount of income, BGN thousand	Share of income from renting, %	Relation to the Issuer
Client 3	796	11.70%	Non-related party
Client 2	915	13.45%	Related party

In 2022 and 2021, the largest supplier of the Company is Karoll Finance EOOD.

2022

Supplier	Amount of costs, BGN thousand	Share of costs, %	Relation to the Issuer
Karoll Finance EOOD	5,128	76.29%	Related party

2021

Supplier	Amount of costs, BGN thousand	Share of costs, %	Relation to the Issuer
Karoll Finance EOOD	7,793	71.10%	Related party

3. Information about major transactions executed

With the exception of the aforementioned transactions with a relative share of more than 10% of the income/expenses, the Company did not enter into any other significant transactions.

4. Information about related party transactions concluded by the Issuer during the reporting period, proposals for conclusion of such transactions and transactions, which are outside its usual activity or deviate significantly from the market conditions, to which the Issuer or any of its subsidiaries are parties, indicating transaction values, relationship types and any information necessary for evaluation of the impact on the financial position of the Issuer

Advance Terafund ADSIC has concluded a contract for the provision of services by Karol Finance EOOD (service company), which owns a share of the Company's share capital as of 31 December 2022 in the amount of 32.25%. The sole owner of the capital of Karol Finance EOOD is Stanimir Marinov Karolev.

The total amount of the fee under the service contract in 2022 amounts to BGN 5,128 thousand.

Consulting services	Payable at the beginning of the period	Amounts charged during the period	Amounts paid during the period	Payable at the end of the period
Karoll Finance EOOD	1,265	5,128	(3,525)	2,868

As of 31 December 2022 Agro Terra Sever AD is a related party to Advance Terafund ADSIC under the control of the ultimate owner of the capital of the service company - Stanimir Marinov Karolev.

Rents	Receivable at the beginning of the period	Amounts charged during the period	Amounts received during the period	Receivable at the end of the period
Agro Terra Sever AD	747	743	(588)	902

For the period from 01 January 2022 to 12 December 2022 Remuss EOOD is a related party to Advance Terafund ADSIC, under the control of the ultimate owner of the capital of the service company - Stanimir Marinov Karolev.

On 13 December 2022, the sole owner of Remuss EOOD publicly disclosed information about the sale of the company to an unrelated person entered in the Commercial Register on 12 December 2022.

As of 31 December 2022 Advance Terafund ADSIC has made an assessment that it is not a related party to Remuss EOOD.

01 January 2022 - 12 December 2022

Rents	Receivable at the beginning of the period	Amounts charged during the period	Amounts received during the period
Remuss EOOD	393	249	(642)

During the reporting period, the Company did not receive any proposals for conclusion of transactions, which are outside its usual activity or deviate significantly from the market conditions.

The Company does not have any subsidiaries as of 31 December 2022.

5. Information about events and indicators of nature unusual for the Issuer, having material impact on its activity and the realized income or incurred expenses and evaluation of their impact on the results for the current year

There are not any events or indicators of nature unusual for the Company that have affected the results of the past year's activity.

6. Information about off-balance sheet transactions – nature and business purpose, indicating the financial impact of the transactions on the activity if the risks and benefits related to such transactions are material for the Issuer and if the disclosure of this information is material for the evaluation of the financial position of the Issuer

The Company does not have any off-balance sheet transactions.

7. Information about participating interests of the Issuer, its main investments in the country and abroad (in securities, financial instruments, intangible assets and real properties) and investments in share securities outside its economic group and sources/means of financing

As of 31 December 2022 the Company does not have any participating interests or investments in share securities.

7.1. Sources of funding of Advance Terrafund ADSIC

– Share capital

The capital of Advance Terrafund ADSIC amounts to BGN 85,110,091 divided into 85,110,091 ordinary registered dematerialized shares, each having nominal value of BGN 1.

By the end of the reporting period, the Company successfully performed five increases in the capital, which is fully paid in the form of contributions in cash.

Income from core activities is generated from renting and sale of property.

7.2. Investment properties of Advance Terrafund ADSIC

The properties of the Company as of 31 December 2022 include agricultural land of approximately 170,557 decares of total value of BGN 288,750 thousand, properties in urbanized territory of approximately 61 decares of total value of BGN

1,015 thousand, and investment properties held for sale for 8,413 decares of total value of BGN 23,580 thousand or a total of BGN 313,345 thousand, including BGN 197,033 thousand revaluation to fair value.

Land categorization:

The agricultural land in Bulgaria is assigned average agricultural rating aimed to evaluate the suitability of the land for growing of agricultural crops. According to suitability, it ranges from 1 to 10. Category 1 is the most suitable for agriculture and category 10 is the most unsuitable. Most of the agricultural land in Bulgaria falls within categories 3 to 6 and most of the land purchased by the Company is in these categories.

Table No 1: Allocation of the land purchased by ADVANCE TERRAFUND ADSIC by categories

Land category	**Area in decares**	**% of the total area of purchased land**
2	3 857	2.16%
3	48 268	26.97%
4	59 255	33.11%
5	40 134	22.43%
6	14 069	7.86%
7	4 664	2.61%
8	3 348	1.87%
9	3 239	1.81%
10	2 136	1.19%
Total	**178 970**	**100.00%**

In the process of land selection, the Company has focused on investments in regions of the country characterized with well-developed rental relations, the allocation of which is given in Table No 2.

Table No 2: Allocation of the land purchased by ADVANCE TERRAFUND ADSIC by regions

REGION	PURCHASED LAND IN DECARES	% OF THE TOTAL AREA
Northwestern	75,296	42.07%
Northeastern	28,271	15.80%
Central Northern	20,504	11.46%
Southeastern	34,139	19.08%
Central Southern	20,760	11.60%

8. Information about transactions concluded by the Issuer, any of its subsidiaries or the parent company in the capacity of borrowers, loan agreements and their terms and conditions, including repayment deadlines and information about guarantees given and obligations undertaken

As of 31 December 2022, the Company did not have any liabilities under loan agreements and did not have subsidiaries.

9. Information on the loans granted by the issuer or its subsidiaries, the provision of guarantees or commitments jointly to one person or his subsidiary, including related parties, indicating the name or title and the UIC of the person, the nature of the relationship between the issuer or its subsidiaries and the borrower, the amount of outstanding principal, interest rate, date of conclusion of the contract, deadline for repayment, amount of commitment, specific conditions other than those specified in this provision, and the purpose for which they are granted, in case they are concluded as targets.

The Company has not granted loans, provided guarantees or assumed liabilities in total to one person or its subsidiary, including related parties.

10. Information about the utilization of the funds raised through a new issue of securities during the reporting period

During the reporting period, no new securities were issued by the Company.
The funds raised through the five capital increases made in the period 2005-2008 are invested in real estate in compliance with the investment policy of the Company, and namely:

- Landed properties in agricultural territories – arable land /fields, orchards, vegetable gardens, vineyards, meadows, etc./ and non-arable land;
- Landed properties in urbanized territories /settlements and villages/ designated for residential, public, production, warehousing, resort, recreational and sports functions;
- Landed properties in forest territories – forests and forest land.

11. Analysis of the ratio between the achieved financial results reported in the Financial Statements for the financial year and projected results published earlier

The Company has not published any projections for the financial results reported in the Financial Statements for 2022.

12. Analysis and evaluation of the policy regarding the management of the financial resources, indicating the means for debt servicing, potential threats and measures undertaken or to be undertaken by the Issuer with a view to their elimination

The gearing ratio /debt to equity/ at the end of the year is, as follows:

	2022	**2021**
Total liabilities	26,159	43,904
Cash and short-term deposits	(37,579)	(67,981)
Net debt	(11,420)	(24,077)
Non-current liabilities	-	-
Equity	327,740	248,052
Non-current liabilities / Equity	0	0

If necessary, the Company may use debt financing after investing its own funds. The policy of the Company is to conclude contracts for short-term bank loans. During the reporting period, no external financing of the activity was used due to the availability of sufficient own financial resources.

13. Evaluation of the potential for investment intentions realization, indicating available funds and possible changes in the funding structure for this activity

The internal sources of liquidity as of the end of 2022 are sufficient to provide for the investment process, therefore the Company does not need any external financing.

The ability of the Company to cover its current expenses and to realize its investment intentions can be expressed through the liquidity ratios in the period 2018-2022.

General liquidity ratio

	2022	2021	2020	2019	2018
Current assets	BGN 40,373 thousand	BGN 71,422 thousand	BGN 33,108 thousand	BGN 35,235 thousand	BGN 25,786 thousand
Current liabilities	BGN 26,159 thousand	BGN 43,904 thousand	BGN 12,219 thousand	BGN 14,594 thousand	BGN 6,775 thousand
General liquidity ratio	1.54	1.63	2.71	2.41	3.81

	2022	2021	2020	2019	2018
Current assets	BGN 40,373 thousand	BGN 71,422 thousand	BGN 33,108 thousand	BGN 35,235 thousand	BGN 25,786 thousand
Current liabilities	BGN 26,159 thousand	BGN 43,904 thousand	BGN 12,219 thousand	BGN 14,594 thousand	BGN 6,775 thousand
Net working capital	BGN 14,214 thousand	BGN 27,518 thousand	BGN 20,889 thousand .	BGN 20,641 thousand .	BGN 19,011 thousand

The high liquidity which the Company continues to maintain as of 31 December 2022 is the result of the revenues from rents and sales of agricultural land.

14. Information about changes in the key management principles of the Issuer and its economic group during the reporting period

During the reporting period, the key management principles of the Issuer and its economic group did not undergo any changes.

15. Information about the main characteristics of the internal control system and the risk management system applied by the Issuer in the process of preparation of the Financial Statements

The Company applies an internal control system that guarantees a reasonable assurance that the corporate objectives and tasks will be achieved and performed. It includes identification, management and assessment of business risks and represents a dynamic process changing along with the changes to the personnel and the circumstances inherent to the activity of the Company. The system is structured in a manner ensuring prevention and avoidance of errors or violations and identification of occurred errors or violations within reasonable time limits.

In addition to the Internal Control and Risk Management System, the Company applies policies, rules and procedures that ensure effective functioning of the systems of reporting and disclosure of information by the Company and support the process of financial reporting. These rules define the different types of rights and obligations of responsible persons, the volume of information disclosed by the Company, the access to various types of information and the responsibilities relating to the management of information flows. The established risk management system ensures effective internal control in the preparation and management of all corporate documents, including the Financial Statements and other regulated information to be disclosed by the Company in accordance with the applicable legal regulations.

The Company prepares its Financial Statements in compliance with the International Financial Reporting Standards (IFRS) as adopted by the Commission of the European Union (EU).

16. Information about changes in the management and supervisory bodies during the reporting financial year

During the reporting period, there were not any changes in the management and supervisory bodies.

17. Information about shares of the Issuer held by members of the management and controlling bodies and procurators, including the shares held by each of them separately and as percentage of the shares of each class, as well as options on the securities of the Issuer provided by the latter – type and amount of the securities on which options have been set up, price of options exercising, purchase price, if any, and option terms

Person	**Radoslav Iliev Manolov**
Position	Executive Director
Number of voting shares in the capital as of 31 December 2022	500,001
Percentage of the capital as of 31 December 2022	0,59%

Person	**Borislav Vitanov Petkov**
Position	Chairman of the Board of Directors
Number of voting shares in the capital as of 31 December 2022	1 551
Percentage of the capital as of 31 December 2022	0.00%

The Company has not provided any options on its securities.

17.1. Information about participation of the members of the Board of Directors in management and controlling bodies of other companies

For the year ended 31 December 2022

Name	Position	Company
Borislav Vitanov Petkov	Member of the Board of Directors	Lazurit 94 AD
	Liquidator	Advance Equity Holding AD – in liquidation
	Liquidator and a person representing (pursuant to Article 234, paragraph 1 of the CA) Advance Equity Holding AD - in liquidation, as a legal entity - a member of the Board of Directors	Energy Effect EAD
	Liquidator and a person representing (pursuant to Article 234, paragraph 1 of the CA) Advance Equity Holding AD - in liquidation, as a legal entity - a member of the Board of Directors	Energy Invest EAD
	Liquidator and a person representing (pursuant to Article 234, paragraph 1 of the CA) Advance Equity Holding AD - in liquidation, as a legal entity - a member of the Board of Directors	SEP Bulgaria EAD
	Shareholder	DB Proekt OOD
	Sole shareholder	Pozitek BG EOOD

18. Information about arrangements (including after the closure of the financial year) that may result in future changes in the relative share of shares or bonds owned by present shareholders or bondholders, of which the Company is aware

At the time of preparation of this report on the activities of the Company, no agreements are known, as a result of which in the future there will be changes in the relative share of shares or bonds held by current shareholders or bondholders.

19. Information about pending lawsuits, administrative or arbitration procedures concerning liabilities or receivables of the Issuer totalling at least 10% of its equity, including individual information about each procedure if the total liabilities or receivables of the Issuer related to all procedures exceed 10% of its equity

The Company is not involved in any pending lawsuits, administrative or arbitration procedures concerning liabilities or receivables totalling at least 10 percent of its equity.

20. Data about the Investor Relations Director, including telephone number and correspondence address

Pursuant to the provisions of Article 116 of the Public Offering of Securities Act and the Statutes of the Company, the Investor Relations Director employed under a labour agreement is Atanas Todorov Dimitrov.

Correspondence address and telephone:

1 Zlatovrah Street, 1164 Sofia

Telephone: +359 2 4008332, e-mail: adimitrov@karoll.bg

21. Changes in the prices of the Company's shares during the period 1 January 2022 – 31 December 2022

22. Description of the major risks to which the Company is exposed

The activity of the Company may be exposed to various financial risks, the major of which are: the market risk (including currency and price risks), the credit risk, the interest rate risk and the liquidity risk. All these risks are described in the Financial Statements of the Company, including detailed description of the individual risk exposures of the Company.

The Company invests at least 95% of its portfolio in agricultural land and up to 5% in land in urbanized regions. Agricultural land, despite the increase in price during the reporting period compared to previous periods, is less exposed to the risk of adverse changes in prices and rents. The increase in risk in the sector mainly affects real estate intended for construction. In order to limit any negative effect on the financial condition and activities of the Company, it reduced the share of property in urban areas.

Advance Terrafund ADSIC strictly implements its policy to invest in high-quality properties that satisfy the needs of modern agriculture development and rent or lease to first-class leaseholders under conditions that are favourable for the Company.

23. Information on environmental issues and staff

The Company owns land that is leased only for agricultural use. There are no buildings and structures built on them and the Company considers that it does not carry out activities that cause damage to the environment.

The company has one person employed under an employment contract. In view of the requirements of the POSA, an Investor Relations Director has been appointed on an employment contract.

24. All major events after the date of preparation of the Annual Financial Statements

In February 2023, the Company sold 19 decares of agricultural land, which are presented as investment properties held for sale as of 31 December 2022 (Note 6.2).

On 20 March 2023, Advance Terrafund ADSIC entered into the final sales contracts for the remaining investment properties that are presented as held for sale as of 31 December 2022 (Note 6.2). At the moment, the notarial deeds for the sale of the properties are in the process of administrative processing by the relevant registry offices. The remainder of

the sale price will be received by the Company within 10 days from the entry of the notarial deeds and entry of a mortgage in favor of the buyer's crediting bank.

Apart from those mentioned above, no other important events have occurred after 31 December 2022 that would require additional corrections and/or disclosures in the Company's financial statements for the year ending 31 December 2022.

25. Scientific research and development activities

The Company does not perform any scientific research or development activities.

26. Information for acquisition of own shares, required by the order of art. 187e of the Commercial Code

Advance Terrafund ADSIC has not acquired or owns its own shares.

27. Established branches of the Company

The Company does not have any branches.

28. Information under art. 240b and Art. 247 of the Commercial Act

28.1. Information under Art. 240b of the CA.

The members of the Board of Directors or persons related to them have not concluded contracts with the Company that go beyond its usual activity or significantly deviate from market conditions.

28.2 Information under Art. 247 of the CA.

- Remuneration received in total during the year from the members of the Board of Directors

Information on the remuneration received during the year is presented in the report on the implementation of the remuneration policy of the members of the Board of Directors of Advance Terrafund ADSIC for 2022.

- Acquired, held and transferred by the members of the Board of Directors during the year shares and bonds of the company

Name	Number of shares held as of 01.01.2022	Acquired shares in 2022	Number of shares held as of 31.12.2022
Radoslav Manolov, Executive Director	500 001	-	500 001
Borislav Petkov, Chairman of the Board of Directors	1 551	-	1 551
Nencho Penev, Member of the Board of Directors	does not own shares	-	does not own shares

The company has no bonds issued.

- Rights of the members of the boards to acquire shares and bonds of the company

The Articles of Association of Advance Terrafund ADSIC do not provide for restrictions on the right of the members of the Board of Directors to acquire shares of the Company.

29. Other information disclosed at the discretion of the Company

The company carries out its investment activity by selling concentrated own land and at the same time investing in agricultural land. The limited offering of agricultural land and the high inflation are the reason for the trend in 2022 of increased interest from farmers and other investors to purchase agricultural land, leading to a significant increase of the price per decar.

30. Information according to art. 10, item 4 of Ordinance № 2/2021 as of 31.12.2022.

During the reporting period, the Company has publicly disclosed inside information, in accordance with the requirements of Regulation 596/2014, on the website, in the section "Statements and documents for GAS", available at the following website: https://advanceterrafund.bg/en/statements-and-documents-for-gas.

The information agency through which the Company discloses inside information within the meaning of Art. 7 of Regulation 596/2014 is x3News, available at: www.x3news.com.

Radoslav Manolov
Executive Director

28 March 2023

INFORMATION TO THE ANNUAL FINANCIAL STATEMENTS FOR 2022 OF ADVANCE TERRAFUND ADSIC, SOFIA

PURSUANT TO APPENDIX 3 OF ORDINANCE 2 DATED 09 NOVEMBER 2021 FOR INITIAL AND FOLLOW-UP DISCLOSURE OF INFORMATION IN PUBLIC OFFERING OF SECURITIES AND ADMISSION OF SECURITIES TO TRADING ON A REGULATED MARKET

1. Information on securities that are not admitted to trading on a regulated market in the Republic of Bulgaria or another Member State.

All securities of Advance Terrafund ADSIC are admitted to trading on a regulated market in the Republic of Bulgaria and there are no securities admitted to trading on a regulated market in another Member State.

2. Information about direct or indirect ownership of 5% or more of the voting rights in the General Assembly of the Company, including data about the shareholders, the amounts of their participating interests and the manners of shares holding.

As at 31 December 2022 the shareholders of Advance Terrafund ADSIC – individuals directly or indirectly holding 5% or more of the voting shares of the Company are:

Name	**Stanimir Marinov Karolev**
Manner of shares holding	**Indirect**
Number of voting shares in the capital as at 31.12.2022	27 911 790
Percentage of the capital and votes in the GAS	32,79 %

As at the 31 December 2022 the shareholders of Advance Terrafund ADSIC – legal entities holding 5% or more of the voting shares of the Company are:

Name	**Karoll Finance EOOD**
Number of voting shares in the capital as at 31.12.2022	27 450 312
Percentage of the capital and votes in the GAS	32,25 %

Name	**UBB Universal Pension Fund**
Number of voting shares in the capital as at 31.12.2022	5 574 562
Percentage of the capital and votes in the GAS	6,55 %

3. Data about shareholders with special control rights and description of such rights.

Advance Terrafund ADSIC does not have any shareholders with special control rights.

4. Agreements between shareholders of which the Company is aware that may result in restrictions on transfer of shares or voting rights.

The Company is not aware of any agreements between shareholders that may result in restrictions on transfer of shares or voting rights.

5. Major agreements of the Company, which require actions or undergo amendment or termination due to changes in the control of the Company in case of mandatory tender offering and related consequences unless the disclosure of such information may result in material damage to the Company; such exception being inapplicable if the Company is obliged to disclose the information by law.

Advance Terrafund ADSIC is not a party to any agreements, which require actions or undergo amendment or termination due to changes in the control of the Company in case of mandatory tender offering.

Radoslav Manolov
Executive Director

28 March 2023

ADDITIONAL INFORMATION as at 31 December 2022 under art. 31 of the Act on Special Investment Purpose Companies and on Securitization Companies (ASIPCSC) to the Financial Statements of ADVANCE TERRAFUND ADSIC

1. Information on the share of assets leased against payment in relation to the total amount of real estate investments:

The relative share of the assets leased against payment in relation to the total amount of real estate investments is 79.74 %.

2. Information for sale or purchase of a new asset at a value exceeding 5% of the total value of the real estate investments:

In 2022 there is no executed sale or purchase of a new asset at a value exceeding 5% of the total value of the real estate investments.

3. Information for observance of the requirements under art. 5, para. 7 and 9 of the ASIPCSC as follows:

3.1. As at 31 December 2022, all assets of Advance Terrafund ADSIC /100 per cent/ are in a result of the activity regulated in article 5, para. 1, item 2 of the ASIPCSC, namely purchasing, leasing or selling of real estate properties.

3.2. Over 99 percent of the gross revenues of the Company for year 2022 are a result of sale, leasing or rental of real estate, which are activities in accordance with the requirements of article 5, para. 1, item 2 of the ASIPCSC.

4. Information for compliance with the requirements under art. 25, para. 1 - 5 of the ASIPCSC as follows:

As at 31 December 2022, Advance Terrafund ADSIC has invested all its free funds in bank deposits in banks that have the right to operate on the territory of the Republic of Bulgaria.

5. Information for compliance with the requirements under art. 26, para. 1 and 2 of the ASIPCSC as follows:

The company has not secured foreign liabilities. Also in 2022, it did not issue debt securities and did not take bank loans.

6. Information on real estate property in the territory of another Member State, by country:

The company does not own any property in the territory of another Member State.

7. Information on units or shares held in third parties under article 27, para. 4 of the ASIPCSC:

Advance Terrafund ADSIC does not own units or shares in third parties within the meaning of art. 27, para. 4 of the ASIPCSC.

8. Information about owned units or shares in specialized companies under art. 28, para 1. from the ASIPCSC:

As of 31 December 2022, the Company does not hold shares or stocks in specialized companies under art. 28, para. 1. from ASIPCSC.

9. Information pursuant Art. 31, para. 7 of ASIPCSC:

	2022
	Thousand BGN
Acquisition price of agricultural land, for which no assessment has been made according to Art. 22, para. 7 of the ASIPCSC	10,006
Subsequent fair value measurement according to Article 23 of ASIPCSC	1,006
Book value as of 31 December 2022 after valuation	11,012

Radoslav Manolov
Executive Director

28 March 2023

ADDITIONAL INFORMATION
to the Annual Financial Statements for 2022 of
ADVANCE TERRAFUND ADSIC
pursuant to Art. 20, para. 1 of Ordinance No 2/09.011.2021

1. Constructions, repairs and improvements of real estate:

There are no constructions, repairs or improvements of real estate.

2. Relative share of outstanding rental and lease payments of the total receivables arising from all rental and lease agreements concluded by the Company:

The relative share of the outstanding rents and leases of the total receivables of the Company arising from all rental and lease agreements concluded by the Company is as follows:

Financial year	Outstanding rents and leases as at 31.12.2022	Outstanding rents and leases as at the reporting date
2021 – 2022	15.42%	13,17%
2020 – 2021	0.52%	0.50%
2019 – 2020	0.95 %	0.95%
2018 – 2019	3.20 %	3.20%

The Company has undertaken actions to collect the overdue receivable rents and leases through court proceedings, whereas in most cases, it uses the expedient procedure under Article 417 of the Civil Proceedings Code, filing a request for issuance of an enforcement order and a writ of execution against the debtors.

Radoslav Manolov
Executive Director

28 March 2023

DECLARATION OF CORPORATE GOVERNANCE IN ACCORDANCE WITH ART. 100N, PAR 8 IN CONJUNCTION WITH PARA 7, ITEM 1 OF THE PUBLIC OFFERING OF SECURITIES ACT

Advance Terrafund ADSIC is a special investment purpose company registered and operating in accordance with the Act on Special Investment Purpose Companies and on Securitization Companies (SIPCSC). Advance Terrafund ADSIC is a public company within the meaning of the Public Offering of Securities Act. In accordance with the provisions of the Law, Advance Terrafund ADSIC has one-tier management system and is managed and represented by its Board of Directors.

I. Information about the Code followed by Advance Terrafund ADSIC

In consideration of the right of present shareholders and potential investors to obtain information and in compliance with the requirements set forth in Article 100n, Paragraph 7 and Paragraph 8 of the Public Offering of Securities Act, the Board of Directors of Advance Terrafund ADSIC hereby agrees to follow, as applicable, the National Corporate Governance Code (NCGC) drafted in October 2007 and approved by the National Corporate Governance Committee, subsequently amended in February 2012, in April 2016 and in July 2021and approved with Decision No 850 – CGC made on 25 November 2021 by the Deputy Chairman of the Financial Supervision Commission in charge of the Investment Supervision Division.

II. Application of individual provisions of the NCGC to the organization of the activity of Advance Terrafund ADSIC

The part of Chapter One of the NCGC concerning the one-tier management system applies to the structure of the Company as the two-tier management system is not applicable in relation to special investment purpose companies in accordance with the requirements of the Act on Special Investment Purpose Companies and on Securitization Companies. The individual items of Chapter One of the NCGC apply as follows:

1. The provisions of Item 1 of the NCGC defining the general frameworks for the functions and responsibilities of the Board of Directors apply as a whole – the corporate governance body has adopted and complies with a Code of Ethical Conduct in accordance with the given recommendations on corporate governance and the Company functions on the basis of an internal control and risk management system.

2. The rules of Item 2 of the NCGC on election and dismissal of members of the Board of Directors fully apply.

3. The corporate governance structure of Advance Terrafund ADSIC is in line with Item 3 of the NCGC applicable as a whole under the condition of the following exceptions: there are not any limitations on the number of companies where the members of the Board of Directors are entitled to hold management positions or the number of successive mandates of independent members set forth at the discretion of the General Assembly of Shareholders upon approval of the Articles of Association.

4. The Board of Directors functions in accordance with an approved policy on determination of the remuneration of members prepared in accordance with Ordinance No 48 on the requirements to remuneration and in accordance with the rules of Item 4 of the NCGC as a whole.

5. The Board of Directors complies with the requirements of Item 5 of the NCGC as a whole, therefore the Company applies a system for avoidance of conflicts of interests and the Management discloses due information where such conflicts of interests arise.

6. In accordance with the rules set forth in Item 6 of Chapter One and Items 17 through 21 of Chapter Two of the NCGC and the requirements of the Law on Independent Financial Audit, Advance Terrafund ADSIC has established an Audit Committee in the composition of three external and independent members as follows: Kamen Petrov Kamenov – Chairman and Zhechko Dimitrov Petrov and Stanimir Petrov Kachulev – Members. The Audit Committee functions in accordance with specially developed and adopted rules and principles of functioning approved by the Board of Directors that are available at the website of the Company.

For the independent financial audit for 2022 within the meaning of the Law on Independent Financial Audit, the General Assembly of Shareholders of Advance Terrafund ADSIC has elected Ernst & Young Audit OOD as the registered auditor to give an independent opinion on the reliability of all material aspects of the Annual Financial Statements prepared in accordance with the Bulgarian accounting legislation.

7. The recommendation of Item 21 of Chapter Two the NCGC applies as to the internal control and risk management system functioning within the Company.

8. The Board of Directors hereby agrees to comply with Chapter Three of the NCGC as a whole and, to that effect, the Company has adopted a document regulating the rights of shareholders that is also available at the website of the Company. Currently, the remote presence of the General Assembly of Shareholders through technical means is not applicable as that method cannot secure due and legally valid participation, which would impede the related check and registration of attendants, the taking of session minutes and the timely presentation of prepared documents for entry into the Commercial Register.

The Company ensures effective interaction with its shareholders, as well as with the regulated markets of financial instruments, in particular the Bulgarian Stock Exchange - Sofia. Advance Terrafund ADSIC pursues a consistent open door policy.

9. The Board of Directors hereby agrees to comply with Chapter Four of the NCGC as a whole – in accordance with its provisions, relevant rules and policies have been developed, adopted and published at the website of the Company that is available in Bulgarian and in English. The disclosure of non-financial information is inapplicable to the Company according to Art. 41 of the Accounting Act.

10. The Board of Directors hereby agrees to comply with Chapter Five of the NCGC, concerning stakeholders, as a whole – in accordance with its provisions, Policies on Consideration of Stakeholder Interests and Transactions with Stakeholders have been developed, adopted and published at the website of the Company.

The company takes into account the changes in the NCGC from July 2021 in the sustainable development part and declares that it does not have an impact on the climate and there are no social aspects of its activity that require the presentation of information in the corporate governance statement.

All rules and policies developed by the Board of Directors, adopted and/or approved in accordance with this Code are available at the website of the Company.

III. Description of the main characteristics of the internal control and risk management systems of Advance Terrafund ADSIC in relation to the process of financial reporting:

In Advance Terrafund ADSIC (The Company) applies an internal control system that guarantees a reasonable assurance that the corporate objectives and tasks will be achieved and performed. It includes identification, management and assessment of business risks and represents a dynamic process changing along with the changes to the personnel and the circumstances inherent to the activity of the Company. The system is structured in a manner ensuring prevention and avoidance of errors or violations and identification of occurred errors or violations within reasonable time limits.

In addition to the Internal Control and Risk Management System, the Company applies policies, rules and procedures that ensure effective functioning of the systems of reporting and disclosure of information by the Company and support the process of financial reporting. These rules define the different types of rights and obligations of responsible persons, the volume of information disclosed by the Company, the access to various types of information and the responsibilities relating to the management of information flows. The established risk management system ensures effective internal control in the preparation and management of all corporate documents, including the Financial Statements and other regulated information to be disclosed by the Company in accordance with the applicable legal provisions.

On a quarterly basis, the Audit Committee of the Company reviews the processes of financial reporting and the internal control and risk management systems in relation to the preparation of the Interim Financial Statements of the Company.

The key types of risks relating to the activity of the Company and the policy on their management are defined in Section III of the Internal Control and Risk Management System and divided in two main categories: internal – risks relating to the work organization of the Company and external – risks relating to macroeconomic, political and other factors that affect or may affect the activity of the Company.

The risks relating to the activity are described in detail in Section 4. Risk Factors of the Registration Instrument (pages 8 through 20) of the Prospectus for Public Offering of Securities approved with Decision No 788-E made on 16 July 2008 by the Financial Supervision Commission on admission of the shares of Advance Terrafund ADSIC to trading in a regulated market.

IV. Information pursuant to Article 10, Paragraph 1, Letters c, d, e, f and i of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids

1. In 2022 Advance Terrafund ADSIC has no any shareholdings in other commercial companies and does not make any investments in securities.

2. Advance Terrafund ADSIC does not have any shareholders with special control rights.

3. The Statutes of Advance Terrafund ADSIC do not provide for any restrictions on the voting rights.

4. The rules on appointment or replacement of members of the Board of Directors and on the amendment of the Articles of Incorporation are set forth in the Statutes of Advance Terrafund ADSIC in accordance with the provisions of the Commerce Act, the Act on Special Investment Purpose Companies and on Securitization Companies, the Public Offering of Securities Act and the other applicable legal acts.

   The Company is managed and represented by its Board of Directors consisting of 3 active individuals and/or legal entities elected by the General Assembly of Shareholders.

   The Board of Directors is elected for a mandate of 5 /five/ years and the members of the first Board of Directors are elected for a mandate of 3 /three/ years. The members of the Board of Directors can be re-elected without restriction. After the expiry of the mandate of the members of the Board of Directors, they continue to exercise their duties until the election of a new Board of Directors by the General Assembly of Shareholders.

   The Company's operations are managed by an Executive Director elected by the Board of Directors with a majority of 2/3 of the votes. The mandate of the Executive Director is the same as the mandate of the Board of Directors but the same continues to perform its duties until the election of a new Executive Director. The management powers of the Executive Director are determined with the decision of the Board of Directors on its election and the management agreement. The powers assigned to the Executive Director may be withdrawn at any time with a decision of the Board of Directors made with the majority necessary for its election. For its overall activity, the Executive Director is accountable to the Board of Directors. At each regular meeting of the Board of Directors, the Executive Director reports on its current activities. In the absence of the Executive Director, its functions related to the management of the Company are exercised temporarily by the Chairman of the Board of Directors.

   The Statutes of Advance Terrafund ADSIC may be amended and supplemented by the General Assembly of Shareholders only.

5. The powers of the members of the Board of Directors are set forth in Article 49 of the Statutes of the Company in accordance with the Law on Commerce and the Act on Special Investment Purpose Companiesand and on Securitization Companies. The members of the Board of Directors have equal rights and obligations regardless of the internal allocation of their functions and the granting of management and representation rights to some of them. The Board of Directors makes decisions on the activity of the Company insofar as such decisions are not within the exclusive competence of the General Assembly of Shareholders pursuant to the effective legislation and the Statutes.

   The Board of Directors does not have the right to make decisions on redemption of shares of the Company.

V. The composition and functions of the management body and the established committees */Advance Terrafund ADSIC does not have a functioning supervisory body as it has one-tier management system/* are set forth in accordance with the Commerce Act, the ASIPCSC, the Law on Independent Financial Audit and the Statutes of the Company and Rules of Procedure of the Board of Directors have been prepared on that basis.

1. Composition:

The Board of Directors of Advance Terrafund ADSIC is composed of three members:

Borislav Vitanov Petkov – Chairman of the Board of Directors
Radoslav Iliev Manolov – Executive Director
Nencho Ivanov Penev – Member of the Board of Directors

2. Functions:

The Board of Directors is a collective management body of the Company. It reports its activities to the General Assembly of Shareholders and performs its functions in accordance with the requirements set forth in the effective legislation and the Statutes of the Company.

The Board of Directors makes decisions on the activity of the Company insofar as such decisions are not within the exclusive competence of the General Assembly of Shareholders pursuant to the effective legislation and the Statutes.

In performing its duties, the Board of Directors undertakes the following main actions in relation to the scope of activity of the Company:

1. makes a decision on the conclusion of a preliminary agreement or an agreement in the form of notary deed on acquisition and/or disposal of real estate or real right subject to the limitations set forth in the Statutes and the effective legislation;

2. appoints and dismisses persons to act as an Executive Director/Executive Directors and Chairman and Deputy Chairman of the Board of Directors;

3. appoints and dismisses employees of the Company, including the person to act or acting as an Investor Relations Director, and determine their remuneration;

4. undertakes actions related to the preparation of the Annual Financial Statements;

5. approves a proposal on profit allocation;

6. concludes, terminates and cancels agreements with the service company and the depository bank as set forth therein or in the effective Bulgarian legislation subject to the approval of the Financial Supervision Commission and presents a comprehensive report on the grounds for termination or cancellation of such agreements at the next session of the General Assembly of Shareholders;

7. controls the performance of all agreements with the service company and the depository bank and render assistance to the latter in the course of performance of their functions in accordance with the effective legislation and the Statutes;

8. elects and authorizes investment intermediaries to undertake and/or service the issues of shares upon increase of the capital of the Company and the issues of bonds issued by the Company;

9. adopts Rules of Procedure to govern its activities and approve Internal Organization Rules of the Company;

10. immediately convokes a session of the General Assembly of Shareholders where material circumstances concerning the Company occur in the cases provided for by law and/or at own discretion;

11. makes decisions on investment of the free funds of the Company in assets pursuant to Article 12 of the Statutes subject to the limitations set forth therein;

12. makes a decision on the conclusion of a loan (bank credit) agreement in accordance with the requirements of Article 11, Paragraph 2, Items 2 and 3 of the Statutes and on provision of collaterals to secure obligations of the Company subject to the applicable regulatory limitations;

13. makes decisions on the execution of all transactions between the Company and stakeholders subject to the limitations set forth in the Statutes and the effective legislation;

14. elects a person to act as a Procurator of the Company;

15. approves a good corporate governance program of the Company in accordance with the internationally accepted standards of good corporate governance determined by the Deputy Chairman in charge of the Investment Supervision Division of the Financial Supervision Commission;

16. makes decisions on insurance of real estates acquired by the Company;

17. elects and concludes an agreement with an investment intermediary for opening client sub-accounts for the new shares in the name of their holders upon increase of the capital of the Company;

18. take decisions for the establishment, acquisition or transfer of a share or shareholding in special – purpose companies under Art. 28, para. 1 of SIPCSC according to the respective application of the terms and procedure of Articles 114 and 114a of the POSA

19. makes decisions on all other issues beyond the exclusive scope of competence of the General Assembly of Shareholders in accordance with the effective legislation or the Statutes;

20. makes unanimous decision on execution of the transactions pursuant to Article 236, Paragraph 2 of the Commerce Act subject to the limitations set forth in Article 114 and the following of the Public Offering of Securities Act and the effective legislation.

3. Third party (service company)

With a view to the specifics of the Company and in accordance with the Act on Special Investment Purpose Companies and on Sececuritization Companies, the activity of Advance Terrafund ADSIC is administered by Karoll Finance EOOD, a third party providing consulting and other services such as administrative, accounting and recruitment services.

4. Investor Relations Director

As from the incorporation of Advance Terrafund ADSIC in 2005, the structure of the Company includes, in addition to the three members of the Board of Directors, the position of Investor Relations Director established and functioning in accordance with the provisions of the Act on Special Investment Purpose Companies and on Sececuritization Companies that is held by Atanas Todorov Dimitrov appointed under a labour agreement.

5. **Committees**

5.1. In accordance with the requirements of the effective legislation, the General Assembly of Shareholders of Advance Terrafund ADSIC has elected/appointed an Audit Committee in the composition of:

Kamen Petrov Kamenov – Chairman
Zhechko Dimitrov Petrov - Member
Stanimir Petrov Kachulev - Member

5.2. The Audit Committee performs the following main duties:

1. informs the management body of the Company of the statutory audit results and explains how the statutory audit confirms the reliability of financial reporting and the role of the Audit Committee in that process;

2. monitors the process of financial reporting and issues and makes recommendations and proposals to guarantee its effectiveness;

3. monitors the effectiveness of the internal control system, the risk management system and the internal audit activity relating to the financial reporting of the Company;

4. monitors the statutory audit of the Annual Financial Statements, including its conduct, taking into consideration the findings and conclusions of the Commission for Public Oversight in relation to the application of Article 26, Paragraph 6 of Regulation (EU) No 537/2014;

5. verifies and monitors the independence of the registered auditors in accordance with the requirements of Chapter Six and Chapter Seven of the Law and Article 6 of Regulation (EU) No 537/2014, including the relevance of provision of services outside the audit of the Company pursuant to Article 6 of the same Regulation;

6. bears responsibility for the selection of a registered auditor and issues a recommendation on its appointment;

7. notifies the Commission for Public Oversight and the management body of the Company of each approval issued pursuant to Article 64, Paragraph 3 and Article 66, Paragraph 3 of the Law on Independent Financial Audit within 7 days as from decision date;

8. reports its activity to the appointing body;

9. prepares and presents an annual report on its activity to the Commission for Public Oversight by 30 June.

VI. In consideration of its small structure, composed of three members of the Board of Directors and one employee holding the position of Investor Realtions Director and on the grounds of Article 100n, Paragraph 12 of the Public Offering of Securities Act, Advance Terrafund ADSIC hereby decides not to apply a policy of diversification in relation to its management body in terms of age, sex or education and professional experience.

Radoslav Manolov
Executive Director

28 March 2023

REPORT
on implementation of the remuneration policy of the members of the Board of Directors of ADVANCE TERRAFUND ADSIC for 2022

In this report the Company discloses the manner in which it implements the Remuneration Policy of the members of the Board of Directors, developed by the Board of Directors and adopted at the General Assembly of Shareholders held on 09.10.2020.

1. Information on the decision-making process in determining remuneration policy, including, if applicable, information on the mandate and composition of the remuneration committee, the names of the external consultants whose services have been used in determining remuneration policy

The remuneration policy of Advance Terrafund ADSIC (the "Company") was prepared in accordance with and on the basis of Ordinance № 48 of 20.03.2013 on the requirements for remuneration, amended and supplemented by SG no. 61 of 10.07.2020, by the Board of Directors of Advance Terrafund ADSIC and was adopted by a decision of the General Assembly of Shareholders of Advance Terrafund ADSIC, held on October 9, 2020. Advance Terrafund ADSIC did not establish Remuneration Committee and has not used the services of external consultants in developing its remuneration policy.
The policy determines the principles and requirements concerning the remuneration of the members of the board of directors of Advance Terrafund ADSIC and the practice for their determination and payment in accordance with the regulatory requirements and the Articles of Association of the Company, avoiding conflicts of interest and unequal treatment of persons. The remunerations are formed on the basis of the strategy and the goals of the Company, determining its functioning, as well as the achieved financial - economic results.

2. Information on the relative weight of the variable and permanent remuneration of the members of the management and supervisory bodies

The Company pays to the members of its management body only a permanent remuneration in the form of a fixed monthly remuneration, the amount of which is determined by the General Assembly of the Company and is paid under the terms and conditions of management contracts concluded between them and the Company in accordance with the rules in the statute.
According to the current Remuneration Policy the members of the Board of Directors are not paid variable remuneration.

3. Information regarding the criteria for achieved results, on the basis of which options on shares, shares of the company or other type of variable remuneration are provided and an explanation of how the criteria under Art. 14, para. 2 and 3 (Ordinance № 48) contribute to the long-term interests of the company

It is not envisaged to provide remuneration to the members of the Board of Directors in the form of shares of the Company, options on shares or other rights to acquire shares. Remunerations based on changes in the share price of the Company, as well as benefits related to retirement are not envisaged.

4. Clarification of the applied methods for assessing whether the criteria for the achieved results are met

According to the adopted Remuneration Policy, the payment of the permanent monthly remuneration to the members of the Board of Directors of Advance Terrafund ADSIC does not depend on the achieved results.

5. Clarification of the relationship between remuneration and results achieved

The permanent remuneration of the members of the Board of Directors does not depend on the results achieved.

6. Basic payments and justification of the annual scheme for payment of bonuses and / or all other non-monetary additional remunerations

The monthly remuneration is paid monthly to a bank account.

7. Description of the main features of the supplementary voluntary pension scheme and information on the contributions paid and / or due by the company to the director for the financial year concerned, where applicable

No supplementary voluntary pension scheme applies.

8. Information on the periods of deferral of payment of variable remuneration

Variable remuneration of the members of the Board of Directors is not provided in the Policy, respectively it is not determined by the GAS and is not paid.

9. Information on the compensation policy in case of termination of the contracts

In case of early termination of the Management Assignment Contract, respectively the contracts for participation in the management with a member of the Board of Directors, the total amount of the compensations may not exceed the amount of the paid annual remunerations to the person for two years. This type of compensation is not due in case of early termination of the contract due to culpable conduct of the member of the management body and / or unsatisfactory results.

10. Information about the period during which the shares cannot be transferred and the options on shares cannot be exercised, in case of variable remuneration based on shares

No such remuneration is provided.

11. Information on the policy for keeping a certain number of shares until the end of the term of office of the members of the management and control bodies after the expiration of the period under item 10

The company does not have such a policy.

12. Information on the contracts of the members of the management and supervisory bodies, including the duration of each contract, the period of notice of termination and details of benefits and / or other payments due in the event of early termination

The current members of the Board of Directors have been re-elected for a term of 5 / five / years by a decision of the General Assembly of Shareholders of Advance Terrafund ADSIC held on 17.08.2020. The members of the Board of Directors may be re-elected without restrictions. Management contracts have been concluded with the members of the Board of Directors for the term of exercising their respective powers and the same contracts shall be terminated on the date of their withdrawal in accordance with the applicable provisions. The contract for assignment of management with the executive director is concluded for a period of five years, according to his mandate, which arose as a result of his election by the GMS. The management contract stipulates that each of the parties may terminate it unilaterally in accordance with the provisions of Bulgarian law by written notice of not less than one month for the Company and three months for the EXECUTIVE DIRECTOR. Termination of the contract may be done by mutual consent. The benefits provided for in the remuneration policy in case of early termination of a contract of a member of the management body are specified in item 9 above of this report.

13. The full amount of the remuneration and other material incentives of the members of the management and supervisory bodies for the respective financial year

The full amount of the remuneration of the members of the Board of Directors of the Company for the financial year 2022 amounts to BGN 68,400.

Borislav Vitanov Petkov, Chairman of the Board of Directors	BGN 19,200
Radoslav Iliev Manolov, Executive Director	BGN 30,000
Nencho Ivanov Penev, member of the Board of Directors	BGN 19,200

14. Information on the remuneration of any person who has been a member of a management or supervisory body of a public company for a specified period during the financial year in question:

From 11 March.2020 Borislav Vitanov Petkov was elected liquidator of the public company Advance Equity Holding AD, with UIC 175028954. For 2022 he was paid by Advance Equity Holding AD - in liquidation as a member of the Board of Directors, respectively liquidator total remuneration in the amount of BGN 21,605.

15. Information regarding shares and / or stock options and / or other share-based incentive schemes:

The company does not apply share-based incentive schemes.

16. Annual change in the remuneration, performance of the company and the average full-time remuneration of non-directors in the company during the previous at least five financial years, presented together in a way that allows comparison:

The information is presented in Table 1 of the Annex.

17. Information on the exercise of the possibility to claim a refund of variable remuneration:

The Company does not envisage and has not paid variable remuneration, due to which the possibility to request a refund of such remuneration paid during the respective financial year has not been exercised.

18. Information for all deviations from the procedure for the implementation of the remuneration policy in connection with extraordinary circumstances under Art. 11, para. 13, including an explanation of the nature of the exceptional circumstances and an indication of the specific components, which are not applied:

There are no deviations from the procedure for the implementation of the remuneration policy in connection with extraordinary circumstances.

Remuneration policy implementation program for the next financial year

The current remuneration policy of Advance Terrafund ADSIC has been developed on the basis of Ordinance № 48 of 20.03.2013 on the requirements for remuneration, amended and supplemented by SG no. 61 of 10.07.2020 of the Financial Supervision Commission and was adopted at a meeting of the General Assembly of Shareholders, held on 09.10.2020. In view of its long-term implementation, in accordance with the strategy for management and development of the Company. The Board of Directors considers that the set criteria are objective, and the current practice for determining and paying the remuneration of the members of the management body is adequate and corresponds to the achieved financial results. In view of this, the remuneration policy will be implemented in the next financial year as well.

Radoslav Manolov
Executive Director

28 March 2023

Annex to the Report on the Implementation of the Remuneration Policy of the Members of the Board of Directors of Advance Terrafund ADSIC for 2022.

Table 1: Annual change in remuneration, company performance and average remuneration based on full-time employees of the company who are not directors during the previous at least five financial years, presented together in a way that allows for comparison.

Year	2016 BGN thousand	2017 BGN thousand	Change of 2017 compared to 2016 %	2018 BGN thousand	Change of 2018 compared to 2017 %	2019 BGN thousand	Change of 2019 compared to 2018 %	2020 BGN thousand	Change of 2020 compared to 2019 %	2021 BGN thousand	Change of 2021 compared to 2020 %	2022 BGN thousand	Change of 2022 compared to 2021 %
Gross remuneration of all members of the Board of Directors for a year	68.4	68.4	0.00%	68.4	0.00%	67.782	-0.9%	66.721	-1.57%	66.240	-0.72%	68.4	3.26%
Average amount of remuneration per member of the Board of Directors per year	22.8	22.8	0.00%	22.8	0.00%	22.594	-0.9%	22.240	-1.57%	22.080	-0.72%	22.8	3.26%
Company results – profit	12,406	30,103	142.65%	10,777	-64.20%	3,435	-68.13%	7,323	113.19%	52,385	615.35%	102,862	96.36%
Gross remuneration based on full-time employees of the company who are not directors for a year	37.439	37.778	0.91%	37.979	0.53%	38.729	1.97%	37.816	-2.36%	39.136	3.49%	45.48	16.21%
Average amount of remuneration based on full-time employees of the company who are not directors for a year	37.439	37.778	0.91%	37.979	0.53%	38.729	1.97%	37.816	-2,36%	39.136	3.49%	45.48	16.21%

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Independent auditor's report

To the shareholders of Advance Terrafund ADSIC

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Advance Terrafund ADSIC (the Company), which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.
In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) *(IESBA Code)* together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of the financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IFAA and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.
We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties The Company's disclosures about the valuation of investment properties are presented in Note 6.1 and Note 6.2 to the financial statements.	

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The Company's investment property portfolio (including properties held for sale) comprises agricultural and non-agricultural lands, aggregating BGN 313,345 thousand as at 31 December 2022. This carrying value is determined based on an estimation of the fair value of individual properties from the portfolio at the reporting date. The Company's policy is to engage an external valuation specialist for this purpose. The fair valuation of properties is performed using valuation techniques utilizing a combination of observable and unobservable inputs, information for which is disclosed in Note 6.1 and Note 6.2 to the financial statements. The fair valuation technique is a combination of market comparable method and income approach as disclosed in Note 6.1 and Note 6.2. The fair valuation is inherently uncertain, involving various assumptions. Due to the significance of the investment properties (representing 89% of the Company's total assets) and the related estimation uncertainty, this is considered a key audit matter.	In this area, our audit procedures included, among others: • We obtained an understanding over the process of investment property valuation, including the related review and approval control procedures of the management. • We evaluated the objectivity, independence and expertise of the external appraiser. • We involved our internal valuation specialists to assist us in assessing whether the valuation techniques applied are appropriate in view of IFRS requirements, as well as whether the key assumptions used (such as sale and offer prices and rent level) are reasonable and relevant by reviewing the available market and historical transactions data. • With the assistance of our internal valuation experts, we developed own range for the fair value of investment properties, based on observable market data with the aim to compare and evaluate the reasonability of the point estimate of the fair value for the different investment properties owned by the Company. • We performed with the assistance of our valuation experts a comparison of the key input data used by the external appraiser such as offer prices, rent levels and square meters to price ranges applied in historical transactions, rent levels on active contracts and data from the property register respectively. • We evaluated the adequacy of the investment property valuation disclosures.

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Key audit matter	How our audit addressed the key audit matter
Provision for dividends due The Company's disclosures about the provision for dividends are provided in Note 11.2 to the financial statements.	
The Company's provision for dividends due for the year 2022 at the amount of BGN 18,804 thousand (dividend per share of BGN 0.221) reflects its legal obligation to distribute minimum level of dividends at the reporting date. To determine the amount of the provision the Company estimates the distributable result for the year by reference to the reported financial result adjusted for the effects of specific accounting transactions (such as investment property valuations and disposals). This process is manual in nature and is inherently complex, as it requires the Company's management to make specific legal considerations (such as the requirements of the Act on Special Purpose Investment Companies and Securitization Companies and the Commerce Act) and utilize large volume of historical data. Note 11.2 to the financial statements presents more information in this respect. Due to the fact that dividend per share is a key financial indicator for the Company, the complex nature of the calculation of the provision for dividends due and its significance (representing 72% of the Company's total liabilities), this is considered a key audit matter.	In this area, our audit procedures included, among others: • We tested the mathematical accuracy of the calculation of the provision for dividends due. • We compared financial result adjustments (such as fair value gains and losses recognised in the current year profit) to arrive at the distributable result to the accounting records for the current and prior periods and where necessary, to the relevant supporting documents and calculations. • We tested a sample of historical input data related to the cost of investment properties for accuracy and completeness, through comparison to primary accounting documents, such as notary deeds, documents for payment of taxes and accounting records of the Company. • We assessed the nature of the financial result adjustments made to arrive at the distributable result by analyzing the specific legal requirements (such as the requirements of the Act on Special Purpose Investment Companies and Securitization Companies and the Commerce Act). • We evaluated the adequacy of the disclosures for the provision for dividends due.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information, which we have obtained prior the date of our auditor's report, comprises the management report, the corporate governance statement and the remuneration report, prepared by management in accordance with Chapter Seven of the Accountancy Act, but does not include the financial statements and our auditor's report thereon.
Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless and to the extent explicitly specified in our report.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and presentation of the financial statements that give a true and fair view in accordance with IFRS, as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves true and fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, ant to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats ot safeguards applied.

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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Additional Matters to be Reported under the Accountancy Act and the Public Offering of Securities Act

In addition to our responsibilities and reporting in accordance with ISAs, described above in the *Information Other than the Financial Statements and Auditor's Report Thereon* section, in relation to the management report, the corporate governance statement and remuneration report, we have also performed the procedures added to those required under ISAs in accordance with the Guidelines on New and Expanded Auditor's Reports and Auditor's Communication of the professional organisation of certified public accountants and registered auditors in Bulgaria, i.e. the Institute of Certified Public Accountants (ICPA). These procedures refer to testing the existence, form and content of this other information to assist us in forming opinions about whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act and in the Public Offering of Securities Act (Art. 100m, paragraph 10 of the POSA in conjunction with Art. 100m, paragraph 8(3) and (4) of the POSA, as well as Art.100n, paragraph 13 of the POSA in conjunction with Art. 116c, paragraph 1 of the POSA) applicable in Bulgaria.

Opinion in connection with Art. 37, paragraph 6 of the Accountancy Act

Based on the procedures performed, our opinion is that:

a) The information included in the management report referring to the financial year for which the financial statements have been prepared is consistent with those financial statements.
b) The management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and of Art. 100(m), paragraph 7 of the Public Offering of Securities Act.
c) The corporate governance statement referring to the financial year for which the financial statements have been prepared presents the information required under Chapter Seven of the Accountancy Act and Art. 100 (m), paragraph 8 of the Public Offering of Securities Act.
d) The remuneration report referring to the financial year for which the financial statements have been prepared is provided and prepared in accordance with the requirements defined in the ordinance per Art. 116c, paragraph 1 of the POSA.

Opinion in connection with Art. 100(m), paragraph 10 in conjunction with Art. 100 m, paragraph 8(3) and (4) of the Public Offering of Securities Act

Based on the procedures performed and the knowledge and understanding obtained about entity's activities and the environment in which it operates, in our opinion, the description of the main characteristics of entity's internal control and risk management systems relevant to the financial reporting process, which is part of the management report (as a component of the corporate governance statement) and the information under Art. 10 paragraph 1(c), (d), (f), (h) and (i) of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on Takeover Bids, do not contain any material misrepresentations.

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Additional Reporting on the Audit of the Financial Statements in connection with Art. 100(m), paragraph 4(3) of the Public Offering of Securities Act

Statement in connection with Art. 100(m), paragraph 4(3)(b) of the Public Offering of Securities Act

The information about related party transactions is disclosed in Note 13 to the financial statements. Based on the audit procedures performed by us on related party transactions as part of our audit of the financial statements as a whole, no facts, circumstances or other information have come to our attention based on which to conclude that the related party transactions have not been disclosed in the accompanying financial statements for the year ended 31 December 2022, in all material respects, in accordance with the requirements of IAS 24 *Related Party Disclosures*. The results of our audit procedures on related party transactions were addressed by us in the context of forming our opinion on the financial statements as a whole and not for the purpose of expressing a separate opinion on related party transactions.

Statement in connection with Art. 100(m), paragraph 4(3)(c) of the Public Offering of Securities Act

Our responsibilities for the audit of the financial statements as a whole, described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report include an evaluation as to whether the financial statements present the significant transactions and events in a manner that achieves true and fair presentation. Based on the audit procedures performed by us on the significant transactions underlying the financial statements for the year ended 31 December 2022, no facts, circumstances or other information have come to our attention based on which to conclude that there are material misrepresentations and disclosures in accordance with the relevant requirements of IFRS as adopted by the EU. The results of our audit procedures on Company's transactions and events significant for the financial statements were addressed by us in the context of forming our opinion on the financial statements as a whole and not for the purpose of expressing a separate opinion on those significant transactions.

Reporting on the compliance of the electronic format of the financial statements, included in the annual report under art. 100m, paragraph 4 of POSA, with the requirements of the ESEF Regulation

In addition to our responsibilities and reporting in accordance with ISAs, described above in the *Auditor's Responsibilities for the Audit of the Financial Statements* section, we have also performed the procedures in accordance with the Guidelines on the Auditor's Reporting in Connection with the Application of the European Single Electronic Format (ESEF) for the Financial Statements of Entities which Securities are Admitted for Trading on a Regulated Market in the European Union of the professional organisation of certified public accountants and registered auditors in Bulgaria, i.e. the Institute of Certified Public Accountants (ICPA). These procedures refer to testing the format and whether the human-readable layer of the electronic format corresponds to the audited financial statements, and expressing an opinion on the compliance of the electronic format of the financial statements of Advance Terrafund ADSIC for the year ended 31 December 2022, included the attached electronic file „Advance Terrafund 2022 Reporting package.zip" with the requirements of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation"). In accordance with these requirements, the electronic format of the financial statements, included in the annual report under art.100m, paragraph 4 of POSA, should be presented in XHTML format.
The Management of the Company is responsible for the compliance with the requirements of the ESEF Regulation in the preparation of the electronic format of the [separate] financial statements in XHTML.

Our opinion is expressed only in relation to the electronic format of the financial statements included the attached electronic file „Advance Terrafund 2022 Reporting package.zip" and does not extend to the other information included in the annual report under art. 100m, paragraph 4 of POSA.

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Based on the procedures performed, our opinion is that the electronic format of the financial statements included the attached electronic file „Advance Terrafund 2022 Reporting package.zip“ is prepared, in all material respects, in accordance with the requirements of ESEF Regulation.

Reporting in accordance with Art. 10 of Regulation (EU) No 537/2014 in connection with the requirements of Art. 59 of the Independent Financial Audit Act

In accordance with the requirements of the Independent Financial Audit Act in connection with Art. 10 of Regulation (EU) No 537/2014, we hereby additionally report the information stated below.

- Ernst & Young Audit OOD was appointed as a statutory auditor of the financial statements of Advance Terrafund ADSIC (the Company) for the year ended 31 December 2022 by the general meeting of shareholders held on 17 May 2022 for a period of one year.
- The audit of the financial statements of the Company for the year ended 31 December 2022 represents sixth total uninterrupted statutory audit engagement for that entity carried out by us.
- We hereby confirm that the audit opinion expressed by us is consistent with the additional report, provided to Company's audit committee, in compliance with the requirements of Art. 60 of the Independent Financial Audit Act.
- We hereby confirm that we have not provided the prohibited non-audit services referred to in Art. 64 of the Independent Financial Audit Act.
- We hereby confirm that in conducting the audit we have remained independent of the Company.

Audit Firm Ernst & Young Audit OOD with registered number 108:

Danail Gecev
Proxy of the General Manager Nikolay Garnev

Danail Gecev
Registered Auditor in charge of the audit

Sofia, Bulgaria

28 March 2023

ADVANCE TERRAFUND ADSIC
STATEMENT OF COMPREHENSIVE INCOME
As of 31 December 2022

	Notes	2022	2021
		BGN'000	*BGN'000*
Revenue			
Net gain from fair value adjustments to investment properties	6.1,6.2	89,256	35,322
Proceeds from sales of investment property	5.1	23,906	65,199
Carrying amount of property sold	6.1,6.2	(10,577)	(44,213)
Net gain from sale of investment property		13,329	20,986
Rental income from leasing of investment property	5.1	6,684	6,801
Interest income	5.5	33	162
Other income	5.2	282	74
Total revenue		**109,584**	**63,345**
Expenses			
Expenses on hired services	5.3	(6,472)	(10,344)
Employee benefits expense		(135)	(125)
Impairment loss on receivables	8	(34)	(235)
Finance costs		(4)	(6)
Other expenses	5.4	(77)	(250)
Total expenses		**(6,722)**	**(10,960)**
Profit for the year		**102,862**	**52,385**
Other comprehensive income for the year		**-**	**-**
Total comprehensive income for the year		**102,862**	**52,385**
Basic earnings per share (BGN)	14	1.21	0.62

Radoslav Manolov
Executive director

Yoana Georgieva
Preparer

The financial statements were authorised for issue with a resolution of the Board of Directors dated 28 March 2023.
The notes on page 12 to page 50 from an integral part of these financial statements.

Financial report on which the auditing company Ernst & Young Audit OOD with registration number 108 has issued an audit report dated 28 March 2023, with a registered auditor responsible for the audit Danail Gecev.

Translation in English of the official financial statements issued in Bulgarian.

ADVANCE TERRAFUND ADSIC
STATEMENT OF FINANCIAL POSITION
As of 31 December 2022

	Notes	2022	2021
		BGN'000	*BGN'000*
ASSETS			
Non-current assets			
Investment property	6.1	289,765	219,632
Receivables on sales with deferred payment terms	7	181	529
		289,946	**220,161**
Current assets			
Trade and other receivables	8	2,614	2,646
Receivables on sales with deferred payment terms	7	180	795
Cash and cash equivalents	9	37,579	67,981
		40,373	**71,422**
Held-for-sale investment property	6.2	23,580	373
TOTAL ASSETS		**353,899**	**291,956**
EQUITY AND LIABILITIES			
Equity			
Share capital	10.1	85,110	85,110
Share premium	10.2	43,411	43,411
Other reserves	10.3	43	41
Retained earnings		199,176	119,490
Total equity		**327,740**	**248,052**
Current liabilities			
Trade and other payables	12	7,045	3,111
Dividends payable	11.2	18,865	40,544
Provisions	11.1	249	249
		26,159	**43,904**
Total liabilities		**26,159**	**43,904**
TOTAL EQUITY AND LIABILITIES		**353,899**	**291,956**

Radoslav Manolov
Executive director

Yoana Georgieva
Preparer

The financial statements were authorised for issue with a resolution of the Board of Directors dated 28 March 2023.
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ADVANCE TERRAFUND ADSIC
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Share capital (Note 10.1)	Share premium (Note 10.2)	Other reserves (Note 10.3)	Retained earnings	Total
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
At 1 January 2021	**85,110**	**43,411**	**39**	**108,475**	**237,035**
Profit for 2021	-	-	-	52,385	52,385
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	52,385	52,385
Transactions with shareholders					
Dividend (Note 11.2)	-	-	-	(41,370)	(41,370)
Dividends with expired statute of limitations (Note 11.2)	-	-	2	-	2
At 31 December 2021	**85,110**	**43,411**	**41**	**119,490**	**248,052**
At 1 January 2022	**85,110**	**43,411**	**41**	**119,490**	**248,052**
Profit for 2022	-	-	-	102,862	102,862
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	102,862	102,862
Transactions with equity holders					
Dividend (Note 11.2)	-	-	-	(23,176)	(23,176)
Dividends with expired statute of limitations (Note 11.2)	-	-	2	-	2
At 31 December 2022	**85,110**	**43,411**	**43**	**199,176**	**327,740**

Radoslav Manolov
Executive director

Yoana Georgieva
Preparer

The financial statements were authorised for issue with a resolution of the Board of Directors dated 28 March 2023.
The notes on page 12 to page 50 from an integral part of these financial statements.

Financial report on which the auditing company Ernst & Young Audit OOD with registration number 108 has issued an audit report dated 28 March 2023, with a registered auditor responsible for the audit Danail Gecev.

ADVANCE TERRAFUND ADSIC
STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

	Notes	2022	2021
		BGN'000	*BGN'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Purchase of investment property		(14,550)	(14,797)
Cash flows related to business counterparties		(1,516)	(2,475)
Cash flows related to the remuneration of the service company	13.1	(3,525)	(7,877)
Cash receipts from rent and sales of investment property, including reimbursement payments		34,238	76,321
Cash payments for salary expenses		(196)	(162)
Interest received on bank accounts and deposits		-	3
Other cash flows generated from operations		2	(54)
Net cash flows from operating activities		**14,453**	**50,959**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash flows related to payment of dividends	11.2	(44,853)	(9,243)
Other cash flows from financing activities		(2)	(6)
Net cash flows used in financing activities		**(44,855)**	**(9,249)**
Changes in cash and cash equivalents		(30,402)	41,710
Cash and cash equivalents at the beginning of the period	9	67,981	26,271
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**9**	**37,579**	**67,981**

Radoslav Manolov
Executive director

Yoana Georgieva
Preparer

The financial statements were authorised for issue with a resolution of the Board of Directors dated 28 March 2023.
The notes on page 12 to page 50 from an integral part of these financial statements.

Financial report on which the auditing company Ernst & Young Audit OOD with registration number 108 has issued an audit report dated 28 March 2023, with a registered auditor responsible for the audit Danail Gecev.

1. Corporate information

The financial statements of Advance Terrafund ADSIC for the year ended 31 December 2022 were authorized for issue in accordance with a resolution of the Board of Directors on 28 March 2023.

Advance TerrafundADSIC (the "Company") is a public joint-stock company which was established at the Constituent Assembly on 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 Act on Special Purpose Investment Companies and on Securitization Companies (ASIPCSC) 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 Ivanov Penev – Member of the Board of Directors. Entrusted with the general management are the 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 Stanimir Petrov Kachulev – Member of the Audit Committee.

Karoll Finance EOOD is the financial services company of Advance Terrafund ADSIC, which as of 31 December 2022, is a shareholder holding 32.25% of the capital of Advance Terrafund ADSIC. 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 31 December 2022 the capital of the Company amounts to BGN 85,110,091 (see Note 10.1).

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 Company has prepared its financial statements for the year ended 31 December 2022 on a going concern basis which assumes that it will continue in business for the foreseeable future and that the realization of assets and the settlement of liabilities will be done in the ordinary course of business. The future financial results of the Company depend on the broader economic environment in which it operates. Factors that specifically affect the Company's results include zero or negative economic growth, agricultural land market conditions, liquidity of investments, investment property occupancy, as well as any changes in the current legislation regulating the relations in the agricultural sector. The Company has determined that at this stage the economic sanctions and potential macroeconomic effects in Bulgaria and Europe, following the military conflict between Russia and Ukraine, do not affect the Company's ability to continue as a going concern. The Company has significant cash in banks with a good credit rating in the amount of BGN 37.579 thousand, which is sufficient to fully cover the current liabilities of the Company as of 31 December 2022, amounting to BGN 26,159 thousand.

Based on an assessment of the Company's ability to continue as a going concern, the management has not identified any indications, facts, circumstances which make the going concern assumption not appropriate or give rise to any material going concern uncertainties to be disclosed in these financial statements. As such the financial statements have been prepared on a going concern basis.

2.1 Basis of preparation (continued)

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 ADSIC 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 from contracts with customers

The Company is in the business of purchase of right of ownership and other material rights on real estate with the purpose of their management, renting, leasing, and/or sale. Revenue from contracts with customers is recognized when the control of the property is transferred to the customer at the amount that reflects the consideration to which the Company expects to be entitled to in exchange for the investment property. The Company has generally concluded that it is a principal in its revenue arrangements, because it controls the property before transferring it to the client.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

Sale of investment property

Revenue from sale of investment property is recognized in the statement of comprehensive income at the point in time when the control of the property is transferred to the customer,which is generally the transfer of the legal ownership, except for sales with deferred payment terms. The disclosures of significant accounting judgements, estimates and assumptions in relation to the transfer of control, when selling investment property with deferred payment terms, are disclosed in Note 3.

In determining the transaction price for the sale of investment property, the Company estimates the effects of the variable consideration and the existence of significant financing component.

2.2 Summary of significant accounting policies (continued)

b) Revenue recognition (continued)

Revenue from contracts with customers (continued)

Sale of investment property (continued)

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it is entitled in exchange for the transfer of ownership of the investment property to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal (reintegration) in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for sale of investment property provide the customer with a right to terminate the contract at any time during the terms of the contract. The rights of termination give rise to variable consideration. The Company also enters into contracts for sale with deferred payment terms with an option for early transfer of the legal ownership for a different consideration.

- Rights of return

The Company has entered into five-year contracts for sale of agricultural land with deferred payment terms. The payment of the consideration is made in annual instalments. The right to use the land is passed to the buyer upon the receipt of a non-returnable advance payment, while the legal transfer of ownership 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 such cases the non-refundable advance payment is retained by the Company, while each payment, exceeding this amount, is reimbursed to the buyer.
The Company uses the expected value method to estimate the amount of the contracts that will not be terminated as this method best predicts the amount of variable consideration to which the Company will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. On the basis of the significant accounting judgments made, disclosed in Note 3, the Company considers that its customers are not expected to terminate any contract for sale with deferred payment terms and therefore, as of 31 December 2022, the Company has not recognized a refund liability or a right of return asset.

- Rights for early exercise of a contract with different rates of consideration

The Company enters into contracts with deferred payment terms for sale of agricultural land for a period of 5 (five) years. These contracts contain options for early payment between the nineteenth (19^{th}) and forty-eighth (48^{th}) month from the contract inception date (upon the full payment of the non-returnable advance payment) with a different amount of consideration for each option. The transfer of the legal title is made after the option is being exercised. Based on the significant accounting judgments disclosed in Note 3, the Company recognizes revenue on such contracts on the lowest agreed selling price.

(ii) Significant financing component

The Company receives short-term advances from its customers in relation to direct sales contracts. Using the practical expedient in IFRS 15, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

For sales contracts with deferred payment, the Company receives the consideration from its clients in instalments for a period of 5 /five/ years. The transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the Company and its customers at contract inception, to take into consideration the significant financing component. The difference between the gross and present value of the receivable is treated as deferred income but is not recognized as a liability in the statement of financial position. Financial income on sale contracts with deferred payment terms is recognized during the term of the contract.

2.2 Summary of significant accounting policies (continued)

b) Revenue recognition (continued)

Revenue from contracts with customers (continued)

Contract balances

(i) Contract assets

A contract asset is the right to consideration in exchange for the right of ownership of the investment property transferred to the customer. If the Company performs its obligation by transferring assets to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. In case of deferred payment sale of investment property where the client makes the payment of consideration by annual instalments based on a predetermined repayment schedule, the present value of the contractual payments is recognized as a receivable on a deferred payment, i.e. as a contract asset.

(ii) Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Please, refer to accounting policies of financial assets in section f) Financial instruments – initial recognition and subsequent measurement.

Cost to obtain a contract/ Contract performance costs

The Company is obliged to pay commissions due to its brokers for each contract that they conclude. As the revenue from sale of investment property is recognized at a certain point of time and because the contracts are not of long-term character, the Company has elected to apply the optional practical expedient for costs to obtain a contract which allows the Company to immediately expense sales commissions (presented as hired service expenses).

Revenue 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 the expected future cash outflows over the expected 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).

d) Taxes

Corporate income tax

The Company is established pursuant to the provisions of the Act on Special Investment Purpose Companies and on Securitization Companies (ASIPCSC) 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.

2.2 Summary of significant accounting policies (continued)

e) Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to the ordinary shareholders of the 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 and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section b) Revenue from contracts with customers.

In order for a debt financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

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

Financial assets carried at amortised cost

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost include trade receivables and receivables from sales with deferred payment terms.

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 primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- 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, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. 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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the initial carrying amount of the asset and the maximum amount of the consideration that the Company could be required to repay.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions (Note 3)
- Receivables on lease contracts and sale with deferred payment terms (Note 7)
- Trade receivables (Note 8)

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company analyzes separately receivables on lease contracts and sales with deferred payment termsconsidering the fair value of the contract collateral less the amounts that would be returned to the customer upon eventual termination of the contract. Based on the significant accounting judgments presented in Note 3, as of 31 December 2022 the Company does not recognize a provision for receivables on lease contracts and sales with deferred payment terms.

2.2 Summary of significant accounting policies (continued)

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.
All financial liabilities are recognised initially at fair value and, 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 described below:

Trade and other payables

After initial recognition, trade and other payables are subsequently measured by the Company at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.
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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

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.

h) Fair value measurement

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.

2.2 Summary of significant accounting policies (continued)

h) Fair value measurement (continued)

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.

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.

2.2 Summary of significant accounting policies (continued)

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.

The investment properties are transferred to investment properties held for sale when there is a signed preliminary sale contract and when part of the total amount of the advance payment is paid by the customer.

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

On the date of entry into force of the contract, the Company assesses whether the contract represents or contains a lease. Namely, whether the contract transfers the right to control the use of the identified asset for a certain period of time.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease term and is included in the statement of comprehensive income due to its operating nature.

2.2 Summary of significant accounting policies (continued)

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 5% of its revenue is considered to be a separate customer.

As of 31 December 2022 and 31 December 2021 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 up to 6 months. The management of the Company considers that deposits with maturity of above 6 months 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.

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.

2.2 Summary of significant accounting policies (continued)

p) Dividends payable

In compliance with the requirements of the Act on Special Investment Purpose Companies and Securitization Companies (ASIPCSC) 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 ASIPCSC 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 Company applied for the first-time certain amendments, which are effective for annual periods beginning on or after 1 January 2022.

- **IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)**
  The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:
  - **IFRS 3 Business Combinations (Amendments)** update a reference in IFRS 3 to the previous version of the IASB's Conceptual Framework for Financial Reporting to the current version issued in 2018 without significantly changing the accounting requirements for business combinations.
  - **IAS 16 Property, Plant and Equipment (Amendments)** prohibit a company from deducting from the cost of property, plant and equipment any proceeds from the sale of items produced while bringing the asset to the location and condition necessary for it be capable of operating in the manner intended by management. Instead, a company recognizes such sales proceeds and related cost in profit or loss.
  - **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous. The amendments clarify, the costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to the contract activities.
  - **Annual Improvements 2018-2020** make minor amendments to **IFRS 1 First-time Adoption of International Financial Reporting Standards**, **IFRS 9 Financial Instruments**, **IAS 41 Agriculture** and the Illustrative Examples accompanying **IFRS 16 Leases**

These amendments had no impact on the financial statements of the Company.

- **IFRS 16 Leases-Covid 19 Related Rent Concessions beyond 30 June 2021 (Amendment)**
  The Amendment applies to annual reporting periods beginning on or after 1 April 2021, with earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued. In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

These amendments had no impact on the financial statements of the Company.

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. Upon termination of the preliminary contract without the sale of the investment property subject to the contract being realized, the Company reclassifies the property as an investment property at its fair value. Significant accounting policies for transfers to investment property are presented in Note 2.2. (k).

Revenue from contracts with customers

The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- Determining the timing when the control over the property is transferred to the customer under contracts with deferred payment terms

When entering into sales agreements requiring non-returnable advance payments by the buyer and deferred transfer of the legal title, 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 inception (and the transfer of the physical possession of the asset) or at a later point in time coincident with the transfer of the legal title. These type of contracts are agreed for a period of 5 /five/ years while the payments are made in equal annual instalments. The right to use the land is passed to the buyer upon the receipt of non-returnable advance payment under the terms of the signed contract, while the transfer of the legal title passes to the buyer 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 retains the non-refundable advance payment made, while each payment, other than the non-returnable amount, is reimbursed to the buyer.

In making its judgment the Company has analyzed 1) the timing when the risks and rewards of the use of the asset have been transferred to the buyer, which the Company has estimated to occur at the moment the legal rights to use the property are granted to the buyer; 2) the existence of a payment entitlement for the asset as at the time of the transfer of physical possession to the customer – the Company has come to the conclusion that the existence of a binding agreement and a significant non-refundable advance payment supports the judgment that the customer has a significant economic incentive to pay the negotiated transaction price; 3) the Company has estimated that the retention of the legal title to the property is made with the aim to ensure the reimbursement of the agreed consideration and was therefore not an indication of the timing of the transfer of control over the property. Due to these factors, the Company has concluded that the timing of transfer of control under deferred payment transactions coincides with the timing of the transfer of the physical possession of the asset and the payment of the non-refundable amount by the customer.

- Determining the estimate of the constraint on the variable consideration up to the amount for which it is highly probable that a significant reversal of the revenue recognized will not occur in the future.

As described above, sales of investment property with deferred payment terms include a right of return, which gives rise to variable consideration. The Company also enters into contracts with deferred payment terms that contain several options for early transfer of the ownership at a different (reduced) amount of the consideration respectively.

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

Judgments (continued)

Revenue from contracts with customers (continued)

In estimating the variable consideration, the Company is required to use either the expected value method or the most likely amount method based on which better predicts the amount of consideration to which it will be entitled. The Company has determined that the expected value method is the appropriate method to use in estimating the variable consideration under the sale contracts of investment property.

The Company has determined that the estimates of variable consideration in relation to the right of return under sale contracts are not constrained based on its historical experience, business forecast and the current economic conditions. In order to reach this conclusion, the Company has analyzed various factors, including but not limited to: the amount of the non-refundable advance payment against the total amount of the transaction price, the expected fair value of the assets subject to such type of transactions against the recoverable amount of the transaction price, the historical experience relating to exercised options for termination by the customers, and has estimated that it is reasonably certain that the Company will obtain economic benefits from the transaction, and the option to terminate the transaction and return the property will not be exercised.

The Company updates its estimates of expected returns / terminated sale contracts with deferred payment terms at the end of each reporting period based on indicators related to the changes in the market value of agricultural land, historical experience and other economic factors. As of 31 December 2022 and as of 31 December 2021, the Company has estimated that the probability of a significant reversal in the amount of revenue recognized in relation to sale contracts with deferred payment terms is insignificant. Accordingly, the Company does not recognize any refund liabilities for expected returns, as well as assets for rights of return.

With regards to sale contracts with deferred payment terms containing several options for earlier payment at a reduced price, the Company has no historical experience and such an experience would not be relevant in making a reasonable judgment in relation to the exercise of the option for early payment at a lower price. In this case, the Company uses the constraint on variable consideration and recognizes revenue up to the amount of the lowest agreed price. In the event that the option is not exercised, the Company recognizes revenue from the sale of investment property with regards to the next largest amount of the agreed reduced price.

- Consideration of significant financing component in a contract

Taking into consideration the length of time between the customer's payment and the transfer of the control over the asset, as well as the prevailing interest rates in the market, the Company has come to the conclusion that, for contracts with deferred payment terms where the client pays the agreed consideration for a period of five years through equal annual instalments, there is a significant financing component.

In determining the interest rate to be applied to the amount of consideration, the Company concluded that 5 / five / per cent is appropriate because this is commensurate with the rate that would be applied in a separate financing transaction between the Company and its customer at contract inception. The difference between the gross and present value of the receivable is treated as a deferred income but is not recognized as a liability in the statement of financial position. Financial income from deferred payment sale contracts is recognized for the term of the contract.

Dividends payable calculation

In compliance with the requirements of the Act on Special Investment Purpose Companies and Securitization Companies, 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 2022 is presented in Note 11.

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

Judgments (continued)

The Company as a lessor

The company has leased some of its investment property. Based on an assessment of the terms of the agreements, the Company has classified them as those in which the lease term does not cover major part of the economic life of the investment property and the present value of the minimum lease payments does not substantially cover the full fair value of the investment property, that is, the Company retains substantially all the risks and rewards of ownership of these properties and considers the contracts as operating leases.

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

"De facto" control

As of 31 December 2022, the Company has over 2,100 shareholders and a fragmented shareholder structure, which consists of a large number of shareholders holding a percentage of the capital below 7% (Note 10.1) and the service company Karol Finance EOOD with ultimate owner Stanimir Marinov Karolev, which owns 32.25% of the capital and votes in the General Assembly. Over the years, the participation/representation of the shareholders in the held general meetings has been observed in the range of 50% to 60% of the shares of the Company's capital.

If these trends related to the attendance of shareholders at the General Meeting are maintained, the servic company Karol Finance EOOD, with ultimate owner Stanimir Marinov Karolev, could have the necessary votes to form a majority for making a decision on the proposals on the agenda of the relevant General Meeting , could accordingly exercise "de facto" control over the company.

The company has made all necessary disclosures in connection with the service company Karol Finance EOOD with ultimate owner Stanimir Marinov Karolev in note 13.1 of the financial statement.Accounting for disposal of newly-established subsidiary

Accounting for Sale of Incorporated Subsidiary

On 06 July 2021 Advance Terrafund ADSIC established a special-purpose subsidiary Project Vrazhdebna EOOD with capital formed by a in-kind contribution having as its object the right of ownership over two real estates. On 26 July 2021, the subsidiary was sold with a contract for the sale of a share. As the established subsidiary did not operate for the period from its establishment to the date of its sale within the current reporting period, and the effect of the sale of the subsidiary is analogous to the direct sale of the contributed properties, the management considered that it does not meet the requirements for preparation of consolidated financial statements and has presented the realized revenues from the sale of the subsidiary in the item Revenues from sale of investment properties, and the book value of the contributed properties in the position Book value of the sold properties.

Estimates and assumptions

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

Fair value of investment property

The investment property of the Company is valued at fair value by an independent appraiser licensed by the Ministry of Agriculture. The assessment was made in the absence of representative and official agro-market information for 2022, including the price levels of agricultural land, rent levels and yields by region and others. Further information is provided in Note 6. The valuation of the independent valuer as of 31 December 2022 and 31 December 2021 is based on the market analogy method (comparative method) and the method of capitalization of the land rent (income approach).

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

Estimates and assumptions (continued)

Provision for expected credit losses of trade receivables and receivables from sales under lease and sale with deferred payment terms

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the agricultural sector, the historical default rates are adjusted.

At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecasted economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in Note 8 and Note 15.

The Company analyzes separately receivables on lease contracts and sales with deferred payment terms considering the fair value of the contract collateral less the amounts that would be reimbursed to the customer upon eventual termination of the contract. As at 31 December 2022, the fair value of the collateral under the contracts less the amounts that would be reimbursed to the customer upon termination of the contract exceeds the receivables on lease contracts and sales with deferred payment terms included in the statement of financial position. Accordingly, the Company did not recognize a provision for ECLs for receivables on lease contracts and sales with deferred payment terms. Additional information on receivables from sales under lease and deferred payment terms contracts is presented in Note 7.

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

The new and amended standards and interpretations that are issued, but not yet effective, up to the date ofissuance of the Company's financial statements are disclosed below. The Company intends to adopt these new andamended standards and interpretations, if applicable, when they become effective.

IFRS 17 *Insurance Contracts*
In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. The standard is effective for annual periods beginning on or after 1 January 2023 with earlier application permitted, provided the entity also applies IFRS 9 Financial Instruments on or before the date it first applies IFRS 17. This is a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts issued, as well as to certain guarantees and financial instruments with discretional participation contracts. It is not expected that the standard would impact the financial position or performance of the Company.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies
In February 2021, the Board issued amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements* (the PS), in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

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

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (continued)
The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application of the amendments to IAS 1 is permitted as long as this fact is disclosed. The Company will analyze and assess the impact of the new amendments on its financial position or performance.

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
In February 2021, the Board issued amendments to IAS 8, in which it introduces a new definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.
The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The aspect of the definition for the accounting estimates that changes in accounting estimates may result from new information or new developments is retained by the Board.
The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. The Company will analyze and assess the impact of the new amendments on its financial position or performance.

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement whether such deductions are attributable for tax purposes to the liability recognised in the financial statements or to the related asset component. This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.
Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.
The amendments are effective for annual reporting periods beginning on or after 1 January 2023. An entity should apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, it should also recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The Company will analyze and assess the impact of the new amendments on its financial position or performance.

Amendments to IAS 1: ***Classification of Liabilities as Current or Non-current***
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements forclassifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In July 2021 the Board tentatively decided to propose several amendments to the clarifications made in January 2020. In particular, the Board decided to propose that if a right to defer settlement for at least twelve months is subject to an entity complying with conditions after the reporting date, those conditions do not affect whether the right to defer settlement exists at the reporting date for the purpose of classifying a liability as current or non-current. Additional presentation and disclosure requirements would be applicable in such circumstances. Furthermore, the Board tentatively decided to defer the effective date to no earlier than 1 January 2024 (from 1 January 2023). The amendments have not yet been endorsed by the EU. The Company will analyze and assess the impact of the new amendments on its financial position or performance.

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

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback
In September 2022, the IASB issued amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback. The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16. The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. The amendments have not yet been endorsed by the EU. The Company will analyze and assess the impact of the new amendments on its financial position or performance.

Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. The amendments address the conflict between IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint. The amendments have not yet been endorsed by the EU. The Company will analyze and assess the impact of the new amendments on its financial position or performance.

5. Revenue and expenses

5.1 Revenue from external customers

	2022	2021
Revenue from sale of investment property	*BGN'000*	*BGN'000*
Direct sales of property	23,861	60,918
Revenue from not exercised options on realized in previous periods sales of property with deferred payment terms (Note 7.2)	45	145
Sale of investment in a subsidiary	-	4,107
Other income	-	29
	23,906	**65,199**
Revenue from rents of investment property	*6,684*	*6,801*
Total revenue from external customers	**30,590**	**72,000**

Revenue from contracts with customers as defined in IFRS 15 *Revenue from contracts with customers* includes revenue from sales of property with deferred payment terms, revenue from direct sales of property (including revenue from sale of investment in a subsidiary) and revenue from not exercised options for early repayment on realized sales of property with deferred payment terms in previous periods.

Pursuant to an agreement for the sale of company shares dated 26 July 2021, Advance Terrafund ADSIC sold to Citipark Epsilon EOOD its entire own share, within the meaning of Art. 129 of the Commercial Law from the property of the specialized subsidiary Project Vrazhdebna EOOD. The market purchase and sale price agreed between the parties in the amount of EUR 2,100 thousand was paid in full by the buyer to the bank account of Advance Terrafund ADSIC as of the date of signing the above contract.

The judgements regarding the reporting and presentation of the sale are disclosed in Note 3.

a) Geographical area information

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

b) Information on key customers

	Type of revenue	2022	2021
		BGN'000	*BGN'000*
Customer 1	Sales	22,880	-
Customer 1	Rent	264	89
Customer 2*	Rent	992	915
Customer 3	Rent	463	796
Customer 3	Sales	-	27,736
Customer 4	Sales	-	12,514
Customer 5	Sales	-	4,107
Customer 6	Sales	-	3,804

*Client 2 aggregates transactions with related parties of the Company as disclosed in Note 13.3.

b) Information on key customers (continued)

Key customer information includes revenue from sales of investment property and rental income from these customers, which represent 5% 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. Revenue and expenses (continued)

5.2 Other revenue

	2022 *BGN'000*	2021 *BGN'000*
Income from receivables impaired/derecognized in prior periods	225	45
Compensations for expropriated properties and established legal rights	40	3
Income from legal interest for delay in collected receivables	17	20
Income from reimbursed expenses on administrative cases	-	1
Other	-	5
	282	**74**

5.3 Expenses on hired services

	2022 *BGN'000*	2021 *BGN'000*
Consulting service expenses	5,276	7,930
Brokers' commissions	1,022	2,116
Administrative costs and fees for the preparation of documents for the sale of real estate	95	200
Advertisement expenses	31	23
Annual fees	30	21
Professional insurance expenses	-	27
Other expenses and fees	18	27
	6,472	**10,344**

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

	2022 *BGN'000*	2021 *BGN'000*
Fees due to the Service company (Note 13.1)	5,128	7,793
Audit fees	75	55
Valuation fees	32	32
Other consulting services	41	50
Total	**5,276**	**7,930**

The amounts charged for the year for services performed by the Company's registered auditor are entirely for an independent financial audit - BGN 75 thousand (2021: BGN 55 thousand).

5. Revenue and expenses (continued)

5.4 Other expenses

	2022	2021
	BGN'000	*BGN'000*
Carrying amount of expropriated/written-off property (Note 6.1)	50	2
Expenses for participation in trainings and seminars	12	2
Sponsorship expenses	7	7
Legal service fees	7	4
Provision expenses (Note 11.1)	-	231
Other	1	4
	77	**250**

5.5 Finance income

	2022	2021
	BGN'000	*BGN'000*
Interest income on sales with deferred payment terms	21	158
Interest income from bank accounts and deposits	12	1
Interest income on lease sale contracts	-	3
	33	**162**

6. Property

6.1 Investment property

	Agricultural land	Property within urbanized territories	Total
	BGN'000	*BGN'000*	*BGN'000*
Level within the fair value hierarchy	Level 3	Level 3	Level 3
Fair value			
On 1 January 2021	**208,486**	**4,992**	**213,478**
Additions during the year	14,949	-	14,949
Disposals during the year (including through in-kind contributions to a subsidiary)	(39,830)	(3,916)	(43,746)
Terminated lawsuit	4	-	4
Expropriated during the year (Note 5.4)	(2)	-	(2)
Classified as assets held for sale (Note 6.2)	(150)	-	(150)
On 31 December 2021	**183,457**	**1,076**	**184,533**
Subsequent fair value measurement	35,160	(61)	35,099
On 31 December 2021	**218,617**	**1,015**	**219,632**

6. Property (continued)

6.1 Investment property (continued)

	Agricultural land	Property within urbanized territories	Total
	BGN'000	*BGN'000*	*BGN'000*
Level within the fair value hierarchy	Level 3	Level 3	Level 3
Fair value			
On 1 January 2022	**218,617**	**1,015**	**219,632**
Additions during the year	14,711	-	14,711
Disposals during the year	(10,204)	-	(10,204)
Expropriated during the year (Note 5.4)	(50)	-	(50)
Classified as assets held for sale (Note 6.2)	(9,622)		(9,622)
On 31 December 2022	**213,452**	**1,015**	**214,467**
Subsequent fair value measurement	75,298	-	75,298
On 31 December 2022	**288,750**	**1,015**	**289,765**

Contributed property in urbanized territories related to the establishment of a subsidiary

Pursuant to a decision of the General Assembly of Shareholders of 31 May 2021, Advance Terrafund ADSIC established on 06 July 2021 a specialized subsidiary within the meaning of Art. 28 of the Act on Special Investment Purpose Companies and Securitization Companies with Project Vrazhdebna EOOD. The capital of the established company, amounting to BGN 3,918 thousand, was formed entirely by an in-kind contribution related to the right of ownership over two real estates located in the city of Sofia, Kremikovtsi district, Vrazhdebna quarter. The assessment of the non-monetary contribution was determined by the conclusion of three independent experts appointed by the Registry Agency. The subsidiary was sold on 26 July 2021 (Note 5.1).

Transfer to investment property held for sale

As of 31 December 2022 the Company has signed a preliminary contract for the sale of 8,413 decares of agricultural land plots.

In accordance with the disclosure made in Note 6.2, as of 31 December 2021 the Company has a signed preliminary contract for the sale of 149 decares agricultural land plots.

Fair value measurement

As of 31 December 2022 and 31 December 2021 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 best and most efficient. For 2022 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 2022 and 31 December 2021 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 sidesare 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.

6. Property (continued)

6.1 Investment property (continued)

The valuation of the independent appraiser as of 31 December 2022 and 31 December 2021 is based on a combined approach with 80% weighting of the market analogue method (comparative method) and 20% weighting of the method of capitalization of the rent (income approach).

When using the market analogues method, the value of the appraised property is determined by comparing its basic characteristics with the same or similar characteristics of other similar properties, for which offer or sale prices are available. Moreover, the closer to the time of valuation the transactions for which information is made, the more reliable the market value of the appraised property will be.

The main assumptions and unobserved inputs used in estimating the fair values of investment properties using the market analogue method include the average values of real offer or sale prices of similar agricultural properties by districts (including sales made by the company in the current year), which vary in the range of BGN 800 per decare up to BGN 2,451 per decare depending on the location and area of the observed analogues. For properties acquired after 01 October 2022, the fair value is the value of their purchase.

When using the method of capitalization of rent, it is assumed that a property can be rented for an infinitely long period of time. In such a case, the purchase of agricultural land for investment purposes, which is expected to have a lifetime eternal income, is considered. The present value of such an eternal asset is obtained by dividing its income from the rate of return.

The average income levels used in the assessment are in the interval from BGN 10 to BGN 90 per decar per year and the defined rate of return is 4%. In order to achieve maximum independence and reliability of results in the method of capitalization, the processed information on the average rent levels of the contracts concluded by the Company for the agricultural year 2022 - 2023 was used.

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

The valuation of investment properties as of 31 December 2022 leads to a significant increase in their fair value. The company believes that the increase in the observed input data has an effect on this, due to the increased volume of transactions for sales and purchases made during the year. The company believes that the overall macroeconomic situation (economic, market and geopolitical shocks (Ukraine-Russia war), leading to high levels of price and rent inflation) has an effect on this, as well as the desire of investors to invest in low-risk assets (including agricultural lands).

Sensitivity analysis

Significant increases/decreases in agricultural land market prices would result in substantially higher/(lower) fair values of investment property. Significant increases/reductions in average rental levels of agricultural land would result insubstantially higher /(lower) fair value of investment property.

Geographical area information

The Company’s investment propertyis located on the territory of the Republic of Bulgaria.

Other disclosures

As at the end of 2022 and 2021 respectively, the Company has concluded rent and lease contracts for approximately 142,702 decares and 143,620 decares of agricultural land. The realized income from rent and lease for 2022 and 2021 amounting to BGN 6,684 thousand and BGN 6,801 thousand respectively, is reported in the statement of comprehensive income.

For the past 2022 and 2021 the Company realized the following sales:

- direct sales of 8,527 decares agricultural land (2021: 39,198 decares agricultural lands and in-kind contribution of 51,526 sq.m. regulated land properties in a specialized subsidiary and subsequent direct sale of the shares of the company).

6. Property (continued)

6.2 Investment property held for sale

	2022	2021
	BGN'000	*BGN'000*
Balance at 1 January	373	467
Property sold during the year	(373)	(467)
Classified as property held for sale (Note 6.1)	9,622	150
Subsequent fair value measurement	13,958	223
Balance at 31 December	23,580	373

As of 31 December 2022, the Company has a preliminary contract for the sale of 8,413 decares of agricultural land (as of 31 December 2021: 149 decares). Held for sale investment property is measured at fair value. It is determined by an independent appraiser using the market analogy method, considering the pre-contractual price as the best indication of the fair value of the property at the end of the reporting period. Changes in the fair value of property held for sale are recognized in the statement of comprehensive income.

6.3 Operating lease commitments – the Company as a lessor

The company has entered into contracts for the lease of agricultural land. These contracts are for a period of one business year.

At the end of 2022, the Company also concluded contracts for the lease of 25,921 decares of agricultural land for a period of 5 business years, starting from the beginning of the 2023-2024 business year.

As of 31 December the future minimum lease payments are presented below:

	2022	2021
	BGN'000	*BGN'000*
Up to 1 year *	6,169	3,635
From 1 to 5 years*	7,376	3
Over 5 years	1,380	-
	14,925	**3,638**

*The lease payments are stated in respect to the contracts for which the Company did not receive advance payments as at 31 December 2022 and as at 31 December 2021 and represent the receivables due for subsequent accounting periods less the advance payments received at the end of the reporting period.

7. Receivables on sales with deferred payment terms

As of 31 December 2022

	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	180	181	361
Unrealised finance income	-	-	-
Carrying amount	**180**	**181**	**361**

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

As of 31 December 2021

	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	816	529	1,345
Unrealised finance income	(21)	-	(21)
Carrying amount	**795**	**529**	**1,324**

Receivables on sales with deferred payment terms that represent assets under contracts with clients within the meaning of IFRS 15 *Revenue from contracts with customers* are not invoiced. An invoice is issued upon receipt of a contract instalment.

As of 31 December 2022 the Company has deferred payment sales contracts concluded for the sale of 780 decares of agricultural land (31 December 2021: 3,828 decares).

For part of the agreed contracts for deferred payment sales, the customers have an option for earlier transfer of the ownership between the 19th and the 48th month of the contract when paid in full on a reduced sale price. After the expiration of the agreed options, the Company recognizes additional income on sale of property up to the amount of the full sale price. In 2022 the proceeds from not exercised options for the sale of properties under deferred payment contracts from previous periods amount to BGN 45 thousand (2021: BGN 145 thousand).

In 2022 eleven customers paid the entire amount due under a contracts for deferred payment sale concluded in 2017 and 2019 and acquired the legal right of ownership over 3,048 decares of agricultural land.

8. Trade and other receivables

	2022	2021
	BGN'000	*BGN'000*
Rent receivables, gross	2,641	3,051
Impairment	(303)	(669)
Rent receivables, net of impairment	2,338	2,382
Advance payments to brokers and counterparties	124	145
Cash at DSK Bank AD available for payment of dividends for 2021 and 2020 (Note 11.2)	43	44
Court receivables	23	17
Interest receivables from deposits in BGN	12	-
Other	74	58
	2,614	**2,646**

8. Trade and other receivables (continued)

The amount of past-due and impaired rent receivables is BGN 303 thousand and BGN 669 thousand as at 31 December 2022 and 31 December 2021, respectively.

Movements in the provision for the impairment of rent receivables for 2022 and for 2021 are as follows:

	2022	2021
	BGN'000	*BGN'000*
Balance at 1 January	669	493
Provision accrued	34	235
Provision reversed	(217)	(30)
Provision written off against carrying amount of receivables	(183)	(29)
Balance at 31 December	**303**	**669**

As of 31 December 2022 the Company has collected in advance 29% of its receivables under the rent contracts concluded for the current 2022-2023 agricultural year (31 December 2021: 39% of the receivables under rent contracts for the 2021-2022 agricultural year).

The ageing analysis of trade receivables that were not impaired at 31 December 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*
2022	2,338	1,415	-	-	-	923	-
2021	2,382	874	-	-	-	1,508	-

9. Cash and short-term deposits

	2022	2021
	BGN'000	*BGN'000*
Cash on hand	60	65
Cash in bank accounts	21,519	4,914
Short-term deposits	16,000	63,002
	37,579	**67,981**

Cash in bank accounts earns interest at floating interest rates based on daily interest rates on bank deposits. Short-term deposits have a different term - from 3 to 6 months, depending on the liquidity needs of the Company. They earn interest at agreed fixed interest rates. These deposits are convertible into cash with insignificant loss of value (penalty).

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 2021	85,110	1	85,110
At 31 December 2021	85,110	1	85,110
At 31 December 2022	85,110	1	85,110

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

	31 December 2022	31 December 2022	31 December 2021	31 December 2021
	Number of shares	Interest (%)	Number of shares	Interest (%)
Karoll Finance EOOD	27,450,312	32.25	27,132,075	31.88
UBB Universal Pension Fund	5,574,562	6.55	5,606,372	6.59
	33,024,874	**38.80**	**32,738,447**	**38.47**

The sole owner of the capital of Karoll Finance EOOD is Stanimir Marinov Karolev. As disclosed in Note 13.1, Karoll Finance EOOD is a service company of Advance Terrafund ADSIC.

As of 31 December 2022 the remaining part of the share capital is held by 112 legal entities /26,150,955 shares/ and 2 018 individuals /25,934,262 shares/, each of whom holding less than 5% of the capital.

As of 31 December 2021 the remaining part of the share capital is held by 114 legal entities /27,645,087 shares/ and 1 795 individuals /24,726,557 shares/, each of whom holding less than 5% of the capital.

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

10.2 Share premium

As at 31 December 2022 the share premium amount is BGN 43,411 thousand (2021: 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 accounted for as other reserves of the Company. As of 31 December 2022 their amount is: BGN 43 thousand (31 December 2021: BGN 41 thousand).

11. Provisions

11.1 General provisions

	2022	2021
	BGN'000	*BGN'000*
Balance at 1 January	249	18
Provisions accrued during the year (Note 5.4)	-	231
Balance at 31 December	**249**	**249**

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 buyer will be evicted from the property. Therefore, the Company has accrued provisions for the reimbursement of the amount paid pursuant to the sales contract.

11.2 Provision for dividends

In compliance with Article 29 of ASIPCSC (repealed Art. 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 29, Paragraph 3 of the same Act.

As of 31 December 2022 the accrued dividend by the Company is in the amount of BGN 18,804 thousand (BGN 0.221 per share), which is expected to be paid in 2023, following a decision of the General Assembly of Shareholders.

The amount of dividend provision for 2022 was determined as follows:

	2022
Book profit, as per the statement of comprehensive income	102,862
Adjustment for:	
Net profit from subsequent valuation of real estate (art. 29, Para. 3, Item 1 of the ASIPCSC)	(89,256)
Profits on transactions for transfer of ownership of property (art. 29, para 3, item 2 of the ASIPCSC)	(13,284)
Positive difference between the selling price and the historical cost of the property (art. 29, para 3, item 3 of the ASIPCSC)	18,153
Profits from options on deferred payment sale contracts (art. 29, Para. 3, Item 4 of the ASIPCSC)	(45)
Positive difference between the discounted selling price and the historical cost upon termination of deferred payment sale contracts (art. 29, Para. 3, Item 5 of the ASIPCSC)	2,457
The carrying amount of expropriated parts of property	50
Historical cost of expropriated parts of properties	(44)
Adjusted financial result for the period	20,893
Distribution Dividend - 90% of the adjusted financial result	90%
Dividend payable	**18,804**

11. Provisions (continued)

11.2 Provision for dividends (continued)

As of 31 December 2021, the accrued dividend of the Company amounted to BGN 40,481 thousand (BGN 0.4756 per share), which was paid in 2022 according to a resolution of the General Assembly of Sharedolders.

The amount of dividend provision for 2021 was determined as follows:

	2021
Book profit, as per the statement of comprehensive income	52,385
Adjustment for:	
Net profit from subsequent valuation of real estate (art. 29, Para. 3, Item 1 of the ASIPCSC)	(35,322)
Profits on transactions for transfer of ownership of property (art. 29, para 3, item 2 of the ASIPCSC)	(20,812)
Positive difference between the selling price and the historical cost of the property (art. 29, para 3, item 3 of the ASIPCSC)	39,245
Negative difference between the selling price and the historical cost of properties (Art. 29, para. 3, item 3 of ASIPCSC)	(934)
Positive difference between the discounted lease payments and the historical cost upon termination of finance lease contracts (art. 29, para 3, item 5 of ASIPCSC)	431
Profits from options on deferred sale contracts (art. 29, Para. 3, Item 4 of the ASIPCSC)	(145)
Positive difference between the discounted selling price and the historical cost upon termination of deferred payment contracts (art. 29, Para. 3, Item 5 of the ASIPCSC)	10,129
The carrying amount of expropriated parts of property	19
Historical cost of expropriated parts of properties	(17)
Adjusted financial result for the period	44,979
Dividend for distribution, according to a decision of the General Assembly of Shareholders - 99.72% of the adjusted financial result.	44,853
Dividend payable as of 31.12.2021 - 90% of the adjusted financial result	(40,481)
Accrual liability in 2022 based on previous period	4,372
Total accrued dividend in 2022	**23,176**

In 2022 and in 2021 the movement in the dividend payable can be presented as follows:

	2022	2021
	BGN'000	*BGN'000*
Balance at 1 January	40,544	8,419
Dividends distributed for the current year	18,804	40,481
Additionally accrued distributed dividends for 2021	4,372	-
Dividends paid, net after tax deductions	(44,138)	(9,102)
Tax deductions on payments of dividends	(715)	(141)
Additionally accrued distributed dividends for 2020	-	889
Dividends with expired statute of limitations	(2)	(2)
Balance at 31 December	**18,865**	**40,544**

11. Provisions (continued)

11.2 Provision for dividends (continued)

The Board of Directors of the Company has adopted the following dividend distribution policy for 2021:

1. Gross dividend per share – BGN 0.527;
2. Net dividend per share for shareholders – individuals – BGN 0. 50065;
3. Commercial bank selected for dividend payment – DSK Bank AD;
4. The date on which the shareholders list is defined under the requirements of the Public Offering of Securities Act – 31 May 2022;
5. Dividend payment procedure:

5.1. Dividends payable to shareholders, having securities accounts kept with the Central Depository AD, Register A (personal accounts), are to be paid through the branches of DSK Bank AD;

5.2. Dividends payable to shareholders, having securities accounts kept with the Central Depository AD, register B (client sub-accounts with investment intermediary), are to be paid by the particular investment intermediary with the assistance of Central Depository AD;

6. Starting date for dividend payment – 20 June 2022;
7. Ending date for dividend payment – 20 June 2023;

After the ending date for dividend payment, within the five-year prescription period, a shareholder who has not been paid dividends for 2021 can receive the amount of dividend from the Company in cash or via a bank transfer following an explicit request, sent to the Company's registered office: 1 Zlatovrah Street, Lozenets District, Sofia or via the following fax: +359 2 4008331. After the expiration of the five-year prescription period, all dividends not received and not requested by the shareholders are to be taken to the Reserve Fund of the Company.

As at 31 December 2022, the Company has reported unpaid dividend obligation for the period from 2017 to 2021, to the total amount of BGN 61 thousand.

Available at DSK Bank AD is the amount of BGN 43 thousand for payment of 2021 dividends to shareholders with an account in the Central Depository AD.

As at 31 December 2021, the Company has reported unpaid dividend obligation for the period from 2016 to 2020, to the total amount of BGN 63 thousand.

12. Trade and other payables

	2022	2021
	BGN'000	*BGN'000*
Payables to the Service company (Note 13.1)	2,868	1,265
Advance payments received from property sales	2,373	37
Advance payments received for the agricultural year 2022-2023	1,723	-
Payables to suppliers and brokers	74	74
Advance payments received for the agricultural year 2021-2022	-	1,728
Other	7	7
	7,045	**3,111**

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 Service company are non-interest bearing and are normally settled on 30-day terms.

13. Related party disclosures

13.1 Fees due to the Service company

The Company has a contract for the provision of services with Karoll Finance EOOD, which holds 32.25% of the share capital of the Company as of 31 December 2022 (as of 31 December 2021 - 31.88%). The sole owner of the capital of Karoll Finance EOOD is Stanimir Marinov Karolev.

According to the above agreement, Karoll Finance EOOD provides the following exemplary, but not exhaustively listed consulting and administrative services: research of targeted real estate for purchase, preparatory work for concluding lease / rental agreements, leasing and sale of real estate owned by the Company, control over the implementation of the concluded contracts and collection of the remunerations due under them, keeping and storing the accounting and other reporting and correspondence and others.

The annual remuneration under the contract is formed 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;
3. 10% of the difference between the selling price and the acquisition cost in the case of sales transaction, payable at the moment of the sale, provided that the sale has a profitability as least 15%;
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 sale 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 sale contract.

The service contract does not provide for any fee due to the service company if shares of a special-purpose subsidiary are sold under Article 28 of ASIPCSC. For this reason, upon the sales in July 2021 of the subsidiary Project Vrazhdebna EOOD, no fee was charged or paid to the Service company.

The total amount of the fee under the service contract with Karoll Finance EOOD amounts to BGN 5,128 thousand and BGN 7,793 thousand for 2022 and 2021, respectively.

	2022	2021
	BGN'000	*BGN'000*
Balance at 1 January	1,265	1,349
Accrued during the year (Note 5.3)	5,128	7,793
Paid during the year	(3,525)	(7,877)
Balance at 31 December	**2,868**	**1,265**

13.2 Board of Directors remuneration

The remuneration of the Board of Directors is determined by the General Assembly of Shareholders. The company paid to the members of the Board of Directors in 2022 remuneration in the amount of BGN 81 thousand, including social security contributions in the amount of BGN 13 thousand (in 2021 remuneration in the amount of BGN 79 thousand, including social security contributions in the amount of BGN 13 thousand).

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

13. Related party disclosures (continued)

13.3 Transactions with other related parties

As of 31 December 2022, Agro Terra Sever AD is a related party to Advance Terafund ADSIC, under the control of the ultimate owner of the capital of the service company - Stanimir Marinov Karolev.

For the period from 1 January 2022 to 12 December 2022, Remuss EOOD is a related party to Advance Terafund ADSIC, under the control of the ultimate owner of the capital of the service company - Stanimir Marinov Karolev.

On 13 December 2022, the sole owner of Remuss EOOD publicly disclosed information about the sale of the company to an unrelated person entered in the Commercial Register on 12 December 2022.

As of 31 December 2022, Advance Terafund ADSIC has made an assessment that it is not a related party to Remuss EOOD.

As of 31 December 2021, Agro Terra Sever AD and Remuss EOOD were related parties of the Company.

During 2022 and 2021, the Company completed the following transactions and reports the following balances with other related parties:

2022

Leases	Receivable at the beginning of the year	Accrued during the year	Received during the year	Receivable at the end of the year
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
Agro Terra Sever AD	747	743	(588)	902

01 January 2022 – 12 December 2022

Leases	Receivable at the beginning of the year	Accrued during the year	Received during the year
	BGN'000	*BGN'000*	*BGN'000*
Remuss OOD	393	249	(642)

2021

Leases	Receivable at the beginning of the year	Accrued during the year	Received during the year	Receivable at the end of the year
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
Agro Terra Sever AD	730	600	(583)	747
Remuss OOD	380	315	(302)	393

14. Basic earnings per share

	2022	2021
	BGN'000	*BGN'000*
Profit for the year (BGN'000)	102,862	52,385
Weighted average number of shares	85,110,091	85,110,091
Basic earnings per share (BGN)	1.21	0.62

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:

	2022	2021
	BGN'000	*BGN'000*
Trade receivables, net of impairment (Note 8)	2,338	2,382
Receivables from sale with deferred payment terms (Note 7)	361	1,324
Cash at DSK Bank available for dividend payment for 2021 and 2020	43	44
Court receivables (Note 8)	23	17
Interest receivables from deposits in BGN (Note 8)	12	-
Cash and short-term deposits (Note 9)	37,579	67,981
	40,356	**71,748**

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

	2022	2021
	BGN'000	*BGN'000*
Trade receivables, gross		
Receivables on contracts with deferred payment terms	361	1,324
Rent receivables	1,415	874
Total receivables neither past due, nor impaired	**1,776**	**2,198**

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

Credit risk (continued)

Past due, but not impaired		
- past due up to 30 days	-	-
- past due between 30 – 90 days	-	-
- past due between 90 – 180 days	923	1,508
- past due between 180 – 360 days	-	-
Total receivables past-due, but not impaired	**923**	**1,508**
Receivables individually impaired, gross		
- past due over 1 year	35	235
- past due between 2 and 5 years	268	434
Total receivables individually impaired	**303**	**669**
Less provision for impairment of receivables	*(303)*	*(669)*
Total receivables after impairment loss	**2,699**	**3,706**

In determining the amount of the provision for impairment of receivables, the Company has estimated that the provision for expected credit losses of receivables past due less than 360 days is insignificant. As a result, such provision is not recognized.

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

Credit rating *	2022	2021
	BGN'000	*BGN'000*
A-*	21,519	4,914
BBB*	12,000	63,002
BBB-**	4,000	-
	37,519	**67,916**

** The credit rating is prepared by Bulgarian agency for credit rating*
*** The credit rating is prepared by Fitch Ratings*

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.

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

Liquidity risk (continued)

The table below summarises the maturity profile of the Company's financial assets and liabilities at 31 December based on contractual undiscounted payments.

As of 31 December 2022

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*	23,519	-	14,000	-	37,519
Receivables from deferred payment sales, gross	36	-	144	181	361
Trade receivables, net of impairment	923	-	1,415	-	2,338
Cash at DSK Bank available for dividend payment for 2021	-	-	43	-	43
Court receivables	-	23	-	-	23
Receivables from interest on deposits in BGN	-	-	12	-	12
	24,478	**23**	**15,614**	**181**	**40,296**

* Cash and short-term deposits are available on request.

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 related parties	2,866	-	2	-	2,868
Payables to suppliers and brokers	74	-	-	-	74
Dividends payable	61	-	18,804	-	18,865
	3,001	**-**	**18,806**	**-**	**21,807**

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

Liquidity risk (continued)

As of 31 December 2021

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*	4,914	3,000	58,502	1,500	67,916
Receivables from deferred payment sales, gross	84	36	696	529	1,345
Trade receivables, net of impairment	1,508	-	874	-	2,382
Cash at DSK Bank available for dividend payment for 2020	-	-	44	-	44
Court receivables	17	-	-	-	17
	6,523	**3,036**	**60,116**	**2,029**	**71,704**

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 related parties	1,248	1	16	-	1,265
Payables to suppliers and brokers	74	-	-	-	74
Dividends payable	63	-	40,481	-	40,544
	1,385	**1**	**40,497**	**-**	**41,883**

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 31 December 2022, 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 31 December 2022 and 31 December 2021 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 95% of its assets in agricultural land and up to 5% 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 ADSIC continues to pursue its policy for investing in high quality properties and meeting the needs for the development of modern agriculture and renting or leasing of first class tenants / tenants / under favorable conditions for the Company.

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

	31 December 2022		31 December 2021	
	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	288,750	99.65	218,617	99.54
Property in urbanized territories	1,015	0.35	1,015	0.46
Total	**289,765**	**100.00**	**219,632**	**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 the end of 2021. The capital structure comprises cash and short-term deposits and equity (see Note 9 and Note 10, respectively).

	2022	2021
	BGN'000	*BGN'000*
Total liabilities	26,159	43,904
Less: cash and short-term deposits	(37,579)	(67,981)
Net debt	(11,420)	(24,077)
Non-current liabilities	-	-
Equity	327,740	248,052
Debt-to-equity ratio (non-current liabilities to equity)	0	0

16. Fair value measurement

Quantitative disclosures related to the fair value hierarchy as of 31 December 2022

	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	31.12.2022	288,750	-	-	288,750
Property in urbanized territories	31.12.2022	1,015	-	-	1,015
Investment property held for sale (Note 6.2)	31.12.2022	23,580	-	-	23,580
Assets, for which fair value is disclosed:					
Receivables on contracts with deferred payment terms (Note 7)	31.12.2022	361	-	361	-

16. Fair value measurement (continued)

Quantitative disclosures related to the fair value hierarchyas of 31 December 2021

	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	31.12.2021	218,617	-	-	218,617
Property in urbanized territories	31.12.2021	1,015	-	-	1,015
Investment property held for sale (Note 6.2)	31.12.2021	373	-	-	373
Assets, for which fair value is disclosed:					
Receivables on contracts with deferred payment terms (Note 7)	31.12.2021	1,324	-	1,324	-

In 2022 and in 2021 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	2022	2021	2022	2021
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
Trade receivables	2,338	2,382	2,338	2,382
Receivables on deferred payment sales	361	1,324	361	1,324
Cash at DSK Bank available for dividend payment for 2020 and 2021	43	44	43	44
Court receivables	23	17	23	17
Interest receivables from deposits	12	-	12	-
Cash and short-term deposits	37,579	67,981	37,579	67,981

16. Fair value measurement (continued)

Fair value of financial instruments (continued)

	Carrying amount		*Fair value*	
Financial liabilities	2022	2021	2022	2021
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
Dividends payable	18,865	40,544	18,865	40,544
Payables to related parties	2,868	1,265	2,868	1,265
Payables to suppliers and brokers	74	74	74	74

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

In February 2023, the Company sold 19 decares of agricultural land, which are presented as investment properties held for sale as of 31 December 2022 (Note 6.2).

On 20 March 2023, Advance Terrafund ADSIC entered into the final sales contracts for the remaining investment properties that are presented as held for sale as of 31 December 2022 (Note 6.2). At the moment, the notarial deeds for the sale of the properties are in the process of administrative processing by the relevant registry offices. The remainder of the sale price will be received by the Company within 10 days from the entry of the notarial deeds and entry of a mortgage in favor of the buyer's crediting bank.

No other events occurred after the reporting date until the date the financial statements were approved for issue that would require additional adjustments and/or disclosures in the Company's financial statements for the year ending 31 December 2022.