ADVANCE TERRAFUND ADSIC

INTERIM FINANCIAL STATEMENTS
31 March 2022

Contents

Board of Directors

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

Audit committee

Kamen Kamenov, Chairman of the Audit Committee
Zhechko Petrov, Member of the Audit Committee
Stanimir Kachulev, Member of the Audit Committee

Registered office

1 Zlatovrah St.
Lozentets district
1164 Sofia

Depository bank

United Bulgarian Bank AD

ADVANCE TERRAFUND ADSIC
STATEMENT OF COMPREHENSIVE INCOME
for the year ending on 31 March 2022

	Notes	2022	2021
		BGN'000	*BGN'000*
Revenue			
Income from leasing and renting of investment property	5.1	1,523	1,716
Income from sale of investment property	5.1	562	741
Carrying amount of property sold		(448)	(644)
Revenues from sales of investment property		114	97
Interest income	5.5	7	58
Other income	5.2	31	47
Total revenue		**1,675**	**1,918**
Expenses			
Costs of hired services	5.3	(712)	(878)
Employee benefits expense		(33)	(29)
Other expenses	5.4	(3)	(2)
Total expenses		**(748)**	**(909)**
Profit for the year		**927**	**1,009**
Other comprehensive income for the year		**-**	**-**
Total comprehensive income for the year		**927**	**1,009**
Basic earnings per share (BGN)	14	0.011	0.012

Radoslav Manolov
Executive director

Yoana Georgieva
Preparer

The accompanying financial statements were authorised for issue with a resolution of the Board of Directors dated 28 April 2022.

The notes on pages 5 to 40 form an integral part of these financial statements.

ADVANCE TERRAFUND ADSIC
STATEMENT OF FINANCIAL POSITION
for the year ending on 31 March 2022

	Notes	2022	2021
		BGN'000	*BGN'000*
ASSETS			
Non-current assets			
Investment property	6.1	222,366	219,632
Receivables on deferred payment sales	7	461	529
		222,827	**220,161**
Current assets			
Trade and other receivables	8	3,716	2,646
Receivables on deferred payment sales	7	765	795
Cash and cash equivalents	9	64,269	67,981
		68,750	**71,422**
Investment property held for sale	6.2	160	373
TOTAL ASSETS		**291,737**	**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	41	41
Retained earnings		120,417	119,490
Total equity		**248,979**	**248,052**
Current liabilities			
Trade and other payables	12	2,003	3,111
Dividends payable	11.2	40,506	40,544
Provisions	11.1	249	249
		42,758	**43,904**
Total liabilities		**42,758**	**43,904**
TOTAL EQUITY AND LIABILITIES		**291,737**	**291,956**

Radoslav Manolov
Executive director

Yoana Georgieva
Preparer

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ADVANCE TERRAFUBD ADSIC
STATEMENT OF CHANGES IN EQUITY
for the year ending on 31 March 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 equity holders					
Dividend (Note 11.2)	-	-	-	(41,370)	(41,370)
Dividends with expired prescription period	-	-	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 the period ending 31.03.2022	-	-	-	927	927
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	927	927
At 31 March 2022	**85,110**	**43,411**	**41**	**120,417**	**248,979**

Radoslav Manolov
Executive director

Yoana Georgieva
Preparer

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ADVANCE TERRAFUND ADSIC
STATEMENT OF CASH FLOWS
for the year ending on 31 March 2022

	Note	2022	2021
		BGN'000	*BGN'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Purchase of investment property		(3,480)	(1,703)
Cash flows related to remuneration of the servicing company	13.1	(1,291)	(1,288)
Cash flows related to business counterparties		(106)	(224)
Cash receipts from rent and sales of investment property, including reimbursement payments		1,228	2,543
Cash payments for salary expenses		(55)	(36)
Interest received on bank accounts and deposits		-	1
Other cash flows generated from operations		(6)	2
Net cash flows from operating activities		**(3,710)**	**(705)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash flows related to payment of dividends	11.2	(2)	-
Net cash flows used for financing activities		**(2)**	**-**
Changes in cash and cash equivalents		(3,712)	(705)
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**	**64,269**	**25,566**

Radoslav Manolov
Executive director

Yoana Georgieva
Preparer

The accompanying financial statements were authorised for issue with a resolution of the Board of Directors dated 28 April 2022.

The notes on pages 5 to 40 form an integral part of these financial statements.

1. Corporate information

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

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

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

The Company has been constituted for an unlimited duration.

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

Karoll Finance EOOD is third party within the meaning of Article 27, paragraph 4 of the SIPCSC /financial services company/ of Advance Terrafund ADSIC, which as of 31 March 2022, is a shareholder holding 32,01% of the capital of Advance Terrafund ADSIC and 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 March 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 March 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, due to the military conflict between Russia and Ukraine, do not affect the Company's ability to continue to exist as a going concern. The Company has significant cash in banks with a good credit rating of BGN 64,207 thousand, which is sufficient to fully cover the current liabilities of the Company as of March 31, 2022, amounting to BGN 42,758 thousand.

Based on an analysis of the Company's ability to continue as a going concern, management has not identified any indicators, facts or circumstances that make the principle-assumption of a going concern inapplicable or raise significant doubts about the validity of the principle-assumption of a going concern which need to be disclosed in the financial statements. Accordingly, 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. 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's scope of activity is related to the 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 passed to the customer in exchange for an amount that reflects the consideration the Company expects to be entitled to in exchange for the investment property. As a whole, the Company has come to the conclusion that it is a principal in its revenue arrangements since the Company has the control over the property before transferring it to the client.

Disclosures for significant accounting judgments, estimates and assumptions in relation to revenue from contracts with customers are presented in Note 3.

Sale of investment property

Revenue from the sale of investment property is recognized in the statement of comprehensive income at a time when the control of the property is transferred to the client, which is the transfer of the legal right of ownership, except in the case of deferred payment sales. The main judgments of the management of the Company in relation to the transfer of control, when selling investment property with deferred payment, 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 considers the existence of significant financing component.

(i) Variable consideration

When a contract contains elements of variable consideration, 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 client. 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. Certain contracts for the sale of investment property provide a customer with a right to terminate the contract within a specified period of the contract. Rights of termination give rise to variable consideration. In addition, the Company enters into deferred payment contracts that contain several provisions for earlier performance of the contract with different rates of consideration.

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 (continued)

- Rights of return

The Company concludes deferred payment contracts for the sale of agricultural land for a period of five (five) years. The payment of the consideration is made in annual instalments. The right to use the land is conveyed to the buyer upon the reception of an earnest money deposit under the terms of the signed contract, while the legal transfer of ownership rights is carried out upon the full payment of the selling price. The buyer is entitled to withdraw from the contract at any time during its agreed period. In this event, the Company keeps the earnest payment made, while each payment, other than the earnest amount, is reimbursed to the buyer.

The Company uses the expected value method to estimate the transactions that will not be terminated because 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 and presented in Note 3, the Company considers that its customers are not expected to terminate agricultural land sale agreements with deferred payment and therefore as of 31 March 2022 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 concludes deferred payment contracts for the sale of agricultural land for a period of five (five) years. These contracts contain options for early exercise between the nineteenth (19th) and forty-eighth (48th) month, as well as from the contract inception (upon the full payment of the earnest amount) with a different amount of consideration for each option. The transfer of the legal rights of ownership is made after the exercise of the option. Based on the significant accounting judgments presented in Note 3, the Company recognizes revenue on such contracts based on the lowest agreed 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 from deferred payment contracts is recognized for 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.

(i) 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). Refer to accounting policies of financial assets in section f) Financial instruments – initial recognition and subsequent measurement.

Costs to obtain a contract/ Contract performance costs

The Company pays sales commission to its brokers for each contract that they obtain. 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 (included under costs for hired services) because the revenue from sales of investment property is recognized at a certain period of time and because the contracts are not of long-term character.

Revenues from rent and lease of investment property

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

Interest income

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

c) Expenses

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

2.2 Summary of significant accounting policies (continued)

d) Taxes

Corporate income tax

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

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

e) Basic earnings per share

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

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

f) Financial instruments – initial recognition and subsequent measurement

Financial assets

Initial recognition 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 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.

2.2 Summary of significant accounting policies (continued)

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

Financial assets (continued)

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 deferred payment sales.

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 original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

2.2 Summary of significant accounting policies (continued)

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

Financial assets (continued)

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 from sales under lease and deferred payment contracts (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 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 the receivables from sales under lease and deferred payment contracts separately taking into consideration the fair value of the collateral under the contract 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 March 2022 the Company does not recognize a provision for receivables from sales under lease and deferred payment contracts.

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.

2.2 Summary of significant accounting policies (continued)

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

Financial liabilities (continued)

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 of financial instruments

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

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

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

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

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

2.2 Summary of significant accounting policies (continued)

h) Fair value measurement of financial instruments (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

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

Company as a lessor

Finance lease

For a property sale that results in a finance lease, the present value of lease payments is recognized as lease payment receivable. The difference between the gross investment in the lease and the present value of the lease payments receivable is treated as future finance income but it is not recognized as liability in the statement of financial position.

In the case of sale of property under financial leasing, the present value of the lease payments is recognized as a finance lease receivable. The difference between the gross and the present value of the receivable is treated as financial income for a future period, but is not recognized as a liability in the statement of financial position. Financial lease income is recognized in the lease term using the effective interest method so as to obtain a constant interest rate on a residual principal.

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

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.

The company presents an individual external client as the main client if it generates 5% or more of its revenues.

As of 31 March 2022 and as of 31 March 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 three months or less. The management of the Company considers that deposits with maturity of over 3 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 on Securitization Companies /SIPCSC/ the Company is obliged to distribute as dividend not less than 90% of the profit (accounting 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 SPICSC 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 standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. It has not previously applied any other standard, interpretation or amendment that has been published but has not yet entered into force.

Amendments to IFRS 16 Covid-19 Related Rent Concessions
The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.
Lessees apply the practical expedient retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment. In the reporting period in which a lessee first applies, the lessee is not required to disclose the amount of the adjustment for each financial statement line affected and earnings per share required by paragraph 28(f) of IAS 8. These amendments had no impact on the financial statements of the Company.

Interest Rate Benchmark Reform – Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)
In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform.
The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. Furthermore, the amendments to IFRS 4 are designed to allow insurers who are still applying IAS 39 to obtain the same reliefs as those provided by the amendments made to IFRS 9.

There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods. 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 deferred payment contracts

When entering into sales agreements requiring non-refundable earnest payments by the buyers and deferred transfer of ownership rights, the Company analyzes whether the material risks and rewards of ownership of the assets are transferred to the buyer at the time of the contract conclusion (and the transfer of the physical possession of the asset) or at a later point in time coinciding with the legal transfer of ownership rights. These type of contracts are concluded for the period of 5 /five/ years while the payments are made in equal annual instalments. The right to use the land is conveyed to the buyer upon the reception of an earnest money deposit under the terms of the signed contract, while the legal transfer of ownership rights is carried out upon the full payment of the selling price. The buyer is entitled to withdraw from the contract at any time during its agreed period. In this event, the Company keeps the earnest payment made, while each payment, other than the earnest amount, is reimbursed to the buyer.

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 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 earnest 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 rights 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 in the amount of cumulative revenue recognized will not occur in the future.

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

Judgments (continued)

Revenue from contracts with customers (continued)

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

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 method 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 the customers' exercise of the termination option, and has estimated that it is reasonably certain that the Company would 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 deferred payment sale contracts 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 March 2022 and as of 31 December 2021, the Company has estimated that the probability of a significant reversal in the amount of cumulative revenue recognized in relation to deferred payment sale contracts is insignificant. Accordingly, the Company does not recognize any refund liabilities for the expected returns, as well as assets for rights of return.

With regards to the deferred payment sale contracts containing several options for earlier completion 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 completion 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 deferred payment sale contracts 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 reflected 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 Special Purpose Investment Companies Act, the Company is obliged to distribute as dividend not less than 90% of the profit (book profit) for the financial year, adjusted with the effect from all investment property transactions carried out throughout the year, including the gains/losses on subsequent valuations of investment property. Additional information about the recognized dividends payable as of 31 December 2021 is presented in Note 12.

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.

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

Fair value of investment property

The investment property of the Company is measured at fair value using the market approach. The valuation is made by an independent licensed valuer authorised by the Bulgarian Ministry of Agriculture and Food. For 2021 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. Additional information is provided in Note 6. As of 31 December 2021 the valuation is fully based on the market analogy method (comparative method) and the method of capitalization of land rent (based on return of investments).

Provision for expected credit losses for trade receivables and receivables from lease and deferred payment sales

The Company uses a provision matrix to calculate expected credit losses (ECLs) for trade receivables. The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate 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 of forecast 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 the receivables from sales under lease and deferred payment contracts separately taking into consideration the fair value of the collateral under the contract less the amounts that would be returned to the customer upon eventual termination of the contract. As at 31 March 2022, the fair value of the collateral under the contract less the amounts that would be returned to the client upon termination of the contract exceeds the receivables from sales under lease and deferred payment contracts included in the statement of financial position. Accordingly, the Company did not recognize a provision for ECLs for receivables from sales under lease and deferred payment contracts. Additional information on receivables from sales under lease and deferred payments contracts is presented in Note 7.

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

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

Amendments to IFRS 16 Covid-19 *Related Rent Concessions after 30 June 2021*
On 28 May 2020, the IASB issued *Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the effect of the Covid-19 pandemic continued, on 31 March 2021 the IASB extended the period of application of the practically appropriate measure until 30 June 2022. The amendment is applicable for annual periods beginning on or after 1 April 2021.

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

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. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4,which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)

- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. It is not expected that the standard would impact the financial position or performance of the Company.

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 Council adopted a preliminary decision to propose several amendments to the clarifications provided in January 2020. In particular, the Council decided to propose that if the right of deferred settlement for a period of at least twelve months is subject to compliance by certain conditions after the reporting date, these conditions do not affect whether the right to reschedule the settlement exists at the reporting date for the purposes of classifying a liability as current or non-current. Additional presentation and disclosure requirements will apply in such circumstances. The Council also decided in advance to postpone the date of entry into force until 1 January 2024 (1 January 2023).
These amendments have not yet been adopted by the EU. The company will analyze and evaluate the effects of the new changes on its financial condition or results of operations.

Amendments to IFRS 3 Business Combinations
In May 2020, the IASB issued Amendments to IFRS 3 *Business Combinations - Reference to the Conceptual Framework*. The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements*, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 *Levies*, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.
Earlier application is permitted if at the same time or earlier the entity applies all the amendments included in the Amendments to the References to the Conceptual Framework in IFRS Standards (March 2018). The company will analyze and evaluate the effects of the new changes on its financial condition or results of operations.

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

Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use
In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The Company will analyze and assess the impact of the new amendments on its financial position or performance.

Amendments to IAS 37: **Onerous Contracts – Costs of Fulfilling a Contract**
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". 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 contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.
The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will analyze and assess the impact of the new amendments on its financial position or performance.

IFRS 1 *First-time Adoption of International Financial Reporting Standards* – Subsidiary as a first-time adopter
As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. It is not expected that the amendments would impact the financial position or performance of the Company.

IFRS 9 *Financial Instruments* – Fees in the '10 per cent' test for derecognition of financial liabilities
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will analyze and assess the impact of the new amendments on its financial position or performance.

IAS 41 *Agriculture* – Taxation in fair value measurements
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted. It is not expected that the amendments would impact the financial position or performance of the Company.

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.

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

Amendments to IAS 1 Presentation of Financial Statements and Statement of Practice under IFRS 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

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 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 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 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 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 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 sales to external customers

	2022	2021
	BGN'000	*BGN'000*
Revenue from sale		
Revenue from direct sales of property	547	741
Revenue from unexercised options on previously realized sales of properties on deferred payment (Note 7.2)	15	-
	562	**741**
Revenue from lease or rent of property	1,523	1,716
Total revenue from external customers	**2,085**	**2,457**

Revenue from contracts with customers within the meaning of IFRS 15 Revenue from contracts with clients includes income from the sale of deferred payment for real estate, income from direct sales of real estate (including revenue from the sale of investments in a subsidiary) and revenue from unexercised options previous periods of property sales on deferred payment.

a) Geographical area information

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

b) Information on key customers

	Type of revenue	2022	2021
		BGN'000	*BGN'000*
Customer 1	Sales	373	-
Customer 2	Sales	131	-
Customer 3	Sales	43	-
Customer 4	Rentals	242	224
Customer 5	Rentals	79	242
Customer 6	Sales	-	467
Customer 7	Sales	-	160

* Client 4 consolidates transactions with related parties of the Company, as disclosed in Note 13.3.

Key customer information includes revenue from sales of investment property and rental income from 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	2021
	BGN'000	*BGN'000*
Income from impaired/written off in previous periods receivables	31	38
Interest income for collected late receivables	-	7
Revenues from established real rights	-	1
Other revenues	-	1
	31	**47**

5.3 Expenses on hired services

	2022	2021
	BGN'000	*BGN'000*
Consultancy services	660	744
Brokers' commissions	23	92
Advertising	14	6
Annual fees	6	5
Administrative costs and fees for the preparation of documents for the sale of real estate	6	16
Professional insurance	-	11
Other expenses and fees	3	4
	712	**878**

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

	2022	2021
	BGN'000	*BGN'000*
Financial services company remuneration (Note 13.1)	628	715
Valuation services	15	20
Expenses for audit services	7	-
Other consultancy services	10	9
Total	**660**	**744**

5.4 Other expenses

	2022	2021
	BGN'000	*BGN'000*
Sponsorship costs	2	-
Costs in court cases	-	1
Other	1	1
	3	**2**

5. Revenue and expenses (continued)

5.5 Finance income

	2022	2021
	хил. лв.	*хил. лв.*
Interest income on deferred payment sale contracts	7	56
Interest income on sale contracts on financial lease	-	1
Interest income from bank accounts and deposits	-	1
	7	**58**

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
Property expropriated during the year	(2)	-	(2)
Transfer of property held for sale to investent property (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**

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	2,969	-	2,969
Disposals during the year	(75)	-	(75)
Transfer of property held for sale to investent property (Note 6.2)	(160)	-	(160)
On 31 December 2022	**221,351**	**1,015**	**222,366**
Subsequent fair value measurement	-	-	-
On 31 December 2022	**221,351**	**1,015**	**222,366**

6. Property (continued)

6.1. Investment property (continued)

Property in urbanized territories contributed to a subsidiary when it is established

Pursuant to a decision of the General Meeting of Shareholders of 31 May 2021, Advance Terrafund ADSIC established on 6 July 2021 a specialized subsidiary within the meaning of Article 28 of the Law on Special Investment Purpose Companies and Securitization Companies with accompany name Project Vrazhdebna EOOD. The capital of the established company, amounting to BGN 3,917,700, was formed entirely by a non-monetary contribution having as its object the right of ownership over two real estates located in the city of Sofia, Kremikovtsi district, Vrazhdebna district. The valuation of the non-monetary contribution was determined by the conclusion of three independent experts appointed by the Registry Agency. On 26 July 2021, the subsidiary was sold (Note 5.1).

Transfer to investment property held for sale

As of 31 March 2022, the Company has preliminary contracts for the sale of 102 decares farmland.

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

Fair value measurement

As of 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 highest and best use. For 2021 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 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.

The valuation of the independent valuer as of 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 (based on the return on investment).

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 unobservable inputs used in estimating fair values of investment property by the market analogy method include the average values of real offer or sale prices of similar agricultural properties by area, ranging from BGN 1,000 per decare up to BGN 1,800 per decare depending on the location and area of the analogues observed. For properties acquired after 1 October 2021, the purchase value is considered as fair value.

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 is considered with investment goal from which life expectancy is expected to last forever. The present value of such an eternal asset is obtained by dividing its income from the rate of return.

The average income levels by districts used in the assessment are in interval from BGN 17 to BGN 70 per decare per year and the rate of return is 4%. In order to achieve maximum independence and reliability of results in the method of capitalization, the processed information on average rent levels of the contracts concluded by the Company for the agricultural year 2021 - 2022 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 December 31, 2021 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 during the year.

6. Property (continued)

6.1 Investment property (continued)

Sensitivity analysis

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

Geographical area information

The Company’s investment properties are located on the territory of the Republic of Bulgaria

Other disclosures

The company has concluded lease and rent agreements for approximately 143,734 decares and 169,191 decares of agricultural land as of 31 March 2022 and 31 March 2021, respectively. The realized lease and rental income for the period 31 March 2022 and 31 March 2021, respectively in the amount of BGN 1,523 thousand and BGN 1,716 thousand, are reflected in the statement of comprehensive income.

During the past period the Company realized as follows:

- direct sales of 207 decares of agricultural land (31 March 2021: 482 decares of agricultural land);

6.2 Investment property held for sale

	2022	2021
	BGN’000	*BGN’000*
Balance at 1 January	373	467
Property sold during the period	(373)	(467)
Classified as property held for sale (Note 6.1)	160	150
Subsequent fair value measurement	-	223
Balance at the end of the period	**160**	**373**

As of 31 March 2022, the Company has preliminary contracts for the sale of 102 decares farmland (as of 31 December 2021: 149 decares). Investment properties held for sale are reported at fair value. It was determined by an independent valuer using the market analogues method, taking into account the pre-contracted contract price as the best indication of the fair value of the properties 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.

7. Receivables on deferred payment sales

As of 31 March 2022

	Up to 1 year	From 1 year to 5 years	Total
	BGN'000	*BGN'000*	*BGN'000*
Gross receivables on deferred payment sales	779	461	1,240
Unearned finance income	(14)	-	(14)
Carrying amount	**765**	**461**	**1,226**

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 deferred payment sales	816	529	1,345
Unearned finance income	(21)	-	(21)
Carrying amount	**795**	**529**	**1,324**

Receivables from sales under deferred payment contracts 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 March 2022 the Company has deferred payment sales contracts concluded for the sale of 3,794 decares of agricultural land (31 December 2021: 3,828 decares).

From the beginning of 2022 until the end of the reporting period, one client has paid the full amount under a contract for deferred payment concluded in 2017 and has acquired the legal right of ownership over 34 decares of agricultural land.

For part of the deferred payment sales contract the customers have the option for earlier gaining of a legal title. This may happen between the 19th and 48th month of the contract by paying the full amount of a reduced purchase price. After the expiration of the term of the agreed options, the Company recognizes additional income from the sale of property until the full sale price is paid.

8. Trade and other receivables

	2022	2021
	BGN'000	*BGN'000*
Rent receivables, gross	3,593	3,051
Impairment	(640)	(669)
Rent receivables, net of impairment	2,953	2,382
Advance payments to brokers and counterparties	684	145
Court receivables	23	17
Cash at DSK Bank AD available on the payment of dividends for 2020 (Note 11.2)	8	44
Other	48	58
	3,716	**2,646**

The amount of past-due and impaired rent receivables is BGN 640 thousand and BGN 669 thousand as at 31 March 2022 and 31 December 2021, respectively.

8. Trade and other receivables (continued)

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	-	235
Provision reversed (Note 5.2)	(29)	(30)
Provision written off against carrying amount of receivables	-	(29)
Balance at the end of the period	**640**	**669**

As of 31 March 2022, the Company has collected in advance over 44% of its receivables under the concluded lease agreements for the current business year 2021-2022 (31 December 2021: 39%).

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

			Past due but not impaired				
	Total	Neither past due nor impaired	< 30 days	30-60 days	60-90 days	90-180 days	>180 days
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
2022	2,953	1,605	-	-	-	1,348	-
2021	2,382	874	-	-	-	1,508	-

9. Cash and short-term deposits

	2022	2021
	BGN'000	*BGN'000*
Cash on hand	62	65
Cash in bank accounts	3,705	4,914
Short-term deposits	60,502	63,002
	64,269	**67,981**

Cash in bank accounts earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods – from 3 to 14 months, depending on the immediate cash needs of the Company. They earn interest at negotiated fixed rates. These deposits are convertible into cash at 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 March 2022	85,110	1	85,110

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

	31 March 2022	31 March 2022	31 December 2021	31 December 2021
	Number of shares	Interest (%)	Number of shares	Interest (%)
Karoll Finance EOOD	27,241,075	32.01	27,132,075	31.88
Universal Pension Fund UBB	5,609,562	6.59	5,606,372	6.59
	32,850,637	**38.60**	**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 servicing company of Advance Terrafund ADSIC.

As of 31 March 2022 the remaining part of the share capital is held by 114 legal entities /27,140,813 shares / and 1,848 natural persons /25,118,641 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 natural persons /24,726,557 shares/, each of whom holding less than 5% of the capital.

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

10.2 Share premium

As at 31 March 2022 the share premium amount is BGN 43,411 thousand (31 December 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

Unclaimed and not received dividends after the expiration of the five-year prescription period are accounted for as other reserves of the Company. As of 31 March 2022 their amount is: BGN 41 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 for the period	-	231
Provisions used for the period /amounts paid/	-	-
Balance on 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 buyers 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 SIPCSC (repealed Art.10 of SIPC), the Company is obliged to allocate as dividend no less than 90% of the financial result, converted according to Article 29, Paragraph 3 of the same Act.

As of 31 December 2021 the Company has accrued a dividend in the amount of BGN 40,481 thousand

(BGN 0.4756 per share), which is expected to be paid in 2022, following a decision of the General Assembly of Shareholders.

The amount of the dividend payout 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 the property (art. 29, Para. 3, item 3 of the 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 payment 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 sale 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
Distribution Dividend - 90% of the adjusted financial result	90%
Dividend payable	**40,481**

11. Provisions (continued)

11.2 Provision for dividends (continued)

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

	2021	2020
	BGN'000	*BGN'000*
Balance at 1 January	40,544	8,419
Dividends distributed for the current year	-	40,481
Additionally accrued distributed dividends for 2020	-	889
Dividends paid, net after tax deductions	(38)	(9,102)
Tax deductions on payments of dividends	-	(141)
Dividends with expired prescription period	-	(2)
Balance at the end of the period	**40,506**	**40,544**

At the end of the reporting period, the Company has reported unpaid dividend obligation for the period from 2016 to 2020, at the total amount of BGN 25 thousand (31 December 2021: BGN 63 thousand).

Available in DSK Bank is an amount of BGN 8,000 for payment of dividends for 2020 to shareholders with personal accounts in Central Depository AD.

12. Trade and other payables

	2022	2021
	BGN'000	*BGN'000*
Advance payments received for the year 2021-2022	1,274	1,728
Payables to the financial services company (Note 13.1)	602	1,265
Payables to suppliers and brokers	69	74
Advances received for the sale of real estate	52	37
Other	6	7
	2,003	**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 financial services company are non-interest bearing and are normally settled on 30-day terms.

13. Related party disclosures

13.1 Financial services company remuneration - third party within the meaning of SIPCSC

The Company has concluded a contract for the provision of services by Karoll Finance EOOD, which holds a share of the share capital of the Company as of 31 March 2022 in the amount of 32.01% (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 contract, Karoll Finance EOOD provides the following exemplary, but not exhaustively listed consulting and administrative services: research of the identified real estate for purchase, preparation of works 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 storage of the accounting and other reporting and correspondence and others.

13. Related party disclosures (continued)

13.1 Financial services company remuneration - third party within the meaning of SIPCSC

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 of the respective property /land/, payable at the time the sale is realized, provided that the rate of return on the investment amounts to at 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 contract to the amount of 0.6 on the fee under Item 4 (above) for every year of the duration of the finance lease contract/deferred payment contract.

The total amount of the consideration under the service contract with Karoll Finance EOOD amounts to BGN 628 thousand and BGN 715 thousand as at 231 March 2022 and 31 March 2021, respectively.

	2022	2021
	BGN'000	*BGN'000*
Balance at 1 January	1,265	1,349
Accruals during the period	628	715
Paid during the period	(1,291)	(1,288)
Balance at the end of the period	**602**	**776**

13.2 Board of Directors remuneration

The remuneration of the Board of Directors is determined by the General Assembly of Shareholders. The company has paid to the members of the Board of Directors from the beginning of the reporting period till the end of March 2022 remuneration in the amount of BGN 20 thousand, including social security contributions in the amount of BGN 3 thousand. (31 March 2021: BGN 18 thousand, including BGN 3 thousand social security).

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

13.3 Transactions with other related parties

As of 31 March 2022 and 31 March 2021 the Company has made the following transactions and reports the following balances with Agro Terra North AD and Remus OOD, which are under the control of the ultimate owner of the capital of the servicing company - Stanimir Marinov Karolev.

2022

Leases	Receivable at the beginning of the period	Accrued during the period	Received during the period	Receivable at the end of the period
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
Agro Terra Sever AD	747	159	-	906
Remuss OOD	393	83	-	476

13. Related party disclosures (continued)

13.3 Transactions with other related parties (continued)

2021

Leases	Receivable at the beginning of the period	Accrued during the period	Received during the period	Receivable at the end of the period
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
Agro Terra Sever AD	730	147	-	877
Remuss OOD	380	77	-	457

14. Basic earnings per share

	2022	2021
	BGN'000	*BGN'000*
Profit for the year (BGN'000)	927	1,009
Day-to-day weighted average number of shares	85,110,091	85,110,091
Basic earnings per share (BGN)	0.011	0.012

The weighted average number of shares is calculated by adjusting the ordinary shares in circulation 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)	2,953	2,382
Receivables from deferred payment sales (Note 7.2)	1,226	1,324
Cash at DSK Bank available for the payment of dividends for 2020	8	44
Court receivables (Note 8)	23	17
Cash and short-term deposits (Note 9)	64,269	67,981
	68,479	**71,748**

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

Credit risk(continued)

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

	2022	2021
	BGN'000	*BGN'000*
Trade receivables, gross		
Receivables on deferred payment contracts	1,226	1,324
Rent receivables	1,605	874
Total receivables neither past due, nor impaired	**2,831**	**2,198**
Past due, but not impaired		
- past due up to 30 days	-	-
- past due between 30 – 90 days	-	-
- past due between 90 – 180 days	1,348	1,508
- past due between 180 – 360 days	-	-
Total receivables past-due, but not impaired	**1,348**	**1,508**
Receivables individually impaired, gross		
- past due over 1 year	228	235
- past due between 2 and 5 years	412	434
Total receivables individually impaired	**640**	**669**
Less provision for impairment of receivables	*(640)*	*(669)*
Total receivables after impairment loss	**4,179**	**3,706**

In determining the amount of the provision for impairment of receivables, the Company has determined that the provision for expected credit losses on receivables overdue for less than 360 days is insignificant and accordingly has not recognized such.

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

Credit rating	2022	2021
	BGN'000	*BGN'000*
BBB*	60,502	63,002
A-*	3,705	4,914
	64,207	**67,916**

** The credit rating is prepared by the Bulgarian Credit Rating Agency*

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 based on contractual undiscounted payments.

At 31 March 2022

Financial assets	< 1 month	1-3 months	3 months - 1 year	1 - 5 years	Total
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Cash and short-term deposits	3,705	48,502	12,000	-	64,207
Trade receivables, net of impairment	1,348	-	1,605	-	2,953
Receivables from deferred payment sales, gross	-	171	608	461	1,240
Cash at DSK Bank available for the payment of dividends for 2020	-	-	8	-	8
Court receivables	-	23	-	-	23
	5,053	**48,696**	**14,221**	**461**	**68,431**

Financial liabilities	< 1 month	1-3 months	3 months - 1 year	1 - 5 years	Total
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Payables to related parties	577	10	15	-	602
Payables to suppliers and brokers	69	-	-	-	69
Dividends payable	25	-	40,481	-	40,506
	671	**10**	**40,496**	**-**	**41,177**

At 31 December 2021

Financial assets	< 1 month	1-3 months	3 months - 1 year	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 the payment of dividends for 2020	-	-	44	-	44
Court receivables	17	-	-	-	17
	6,523	**3,036**	**60,116**	**2,029**	**71,704**

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

Liquidity risk (continued)

At 31 December 2021

Financial liabilities	< 1 month	1-3 months	3 months - 1 year	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 March 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 a 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 March 2022 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.

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

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

Market risk (continued)

The structure of the Company's investment portfolio (investment property held for sale are not included) is as follows:

	31 March 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	221,351	99.54	218,617	99.54
Property in urbanized territories	1,015	0.46	1,015	0.46
Total	**222,366**	**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	42,758	43,904
Less: cash and short-term deposits	(64,269)	(67,981)
Net debt	(21,511)	(24,077)
Non-current liabilities	-	-
Equity	248,979	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 March 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	31.03.2022	221,351	-	-	221,351
Property in urbanized territories	31.03.2022	1,015	-	-	1,015
Investment property held for sale(Note 6.2)	31.03.2022	160	-	-	160
Assets, for which fair value is disclosed:					
Receivables on deferred payment contracts (Note 7.2)	31.03.2022	1,226	-	1,226	-

Quantitative disclosures related to the fair value hierarchy as 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 deferred payment contracts (Note 7.2)	31.12.2021	1,324	-	1,324	-

In 2022 and 2021, there were no transfers between levels of the fair value hierarchy.

16. Fair value measurement (continued)

Fair value of financial instruments

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

Financial assets	*Carrying amount* 2022	2021	*Fair value* 2022	2021
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
Trade receivables	2,953	2,382	2,953	2,382
Receivables on deferred payment sales	1,226	1,324	1,226	1,324
Court receivables	23	17	23	17
Cash at DSK Bank available for the payment of dividends for 2020	8	44	8	44
Cash and short-term deposits	64,269	67,981	64,269	67,981

Financial liabilities	*Carrying amount* 2022	2021	*Fair value* 2022	2021
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
Dividends payable	40,506	40,544	40,506	40,544
Payables to related parties	602	1,265	602	1,265
Payables to suppliers and brokers	69	74	69	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 casual transaction between market participants at the measurement date.

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

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

17. Events after the reporting date

No events have occurred after the reporting date until the date on which the present financial statements are authorized for issue, which require additional adjustments and/or disclosures in the financial statements of the Company for the period ended 31 March 2022.