Annual activity report
Report of the independent auditor
Financial report
EF ASSET MANAGEMENT AD
31 December 2022

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INDEPENDENT AUDITOR'S REPORT

To the
Shareholders of
Ef Asset Management AD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ef Asset Management AD (the Company), which comprise the statement of financial position as at December 31, 2022, the statement of of profit or loss and other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Company as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Basis for Opinion

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

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

Management is responsible for the preparation of the other information. The other information comprises the management report prepared by the Management in

accordance with Chapter Seven of the Accountancy Act, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless and to the extent explicitly specified in our report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT – continued

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

INDEPENDENT AUDITOR'S REPORT – continued

Report on Other Legal and Regulatory Requirements

Additional Matters to be Reported under the Accountancy Act

In addition to our responsibilities and reporting in accordance with ISAs, described in paragraph Information Other than the Financial Statements and Auditor's Report Thereon in relation to the management report, we have also performed the procedures added to those required under ISAs in accordance with the Guidelines for new and extended audit reports and auditor communication" of the professional organisation of registered auditors in Bulgaria, the Institute of Certified Public Accountants (ICPA). These procedures refer to testing the existence, form and content of this other information to assist us in forming an opinion about whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act applicable in Bulgaria.

Opinion in connection with Art. 37, paragraph 6 of the Accountancy Act
Based on the procedures performed, our opinion is that:

a) The information included in the management report referring to the financial year for which the financial statements have been prepared is consistent with those financial statements.
b) The management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

BRAIN STORM CONSULT - OD LTD
Audit Firm, reg. № 0148

Kamelia Terziyska – Managing partner and
Registered auditor, responsible for the audit

Republic of Bulgaria, Sofia, March 28, 2023

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 148 БРЕЙН СТОРМ КОНСУЛТ - ОД ООД

EF Asset Management AD
Annual Activity Report
31 December 2022

Annual activity report

I. Development of the activity of EF Asset Management AD

In 2022, the activities carried out by the Company's management are mainly related to the management of the activities of the collective investment schemes (CIS) and one alternative investment fund (AIF) .

On 16.02.2022, the Financial Supervision Commission, with Decision No. 136-DF/16.02.2022, issued approval to the Management Company "EF Asset Management" AD for a change in the Rules of the exchange-traded fund "EF Principal ETF" managed by it. (previously known as Mutual Fund "EF Principal"). In connection with the above, the Exchange Traded Fund "EF Principal ETF" was introduced for trading on the "Segment for Exchange Traded Products" on 09.03.2022.

On 20.12.2022, MC " EFAsset Management" AD received a license from the Financial Supervision Commission to carry out alternative asset management activities investment funds under Art. 198, para. 1 of the Collective Investment Schemes and Other Undertakings for Collective Investments Act. (CISOUCIA).

Activities related to the management of the Company in 2022 .

The activity of EF Asset Management in 2022 is related to the management of the portfolios of two mutual funds: Mutual Fund EF Rapid and Exchange Traded Fund EF Principal ETF and one alternative investment fund – national mutual fund EF Potential.
The management company carries out the accounting, reporting, marketing and advertising services of the managed collective investment schemes and the national mutual fund.

II. Financial status of the Company at the end of 2022.

The main objective of the Management Company is to ensure the preservation of the value of the portfolios of securities and cash of the managed CISes and AIFs. Assets are selected and deals are concluded with parameters that meet the investment objective of the various funds to the maximum extent.

In the long term, the mutual fund industry in Bulgaria has huge potential for growth given its low penetration among the population.

ASSETS

The Company's assets include property, plant and equipment, financial assets at fair value through profit or loss, short-term receivables and cash.

Fixed assets

Fixed assets include assets with the right to use, computers and business inventory with a book value as of 31.12.2022 – BGN 311 thousand.

2. Financial instruments

Financial instruments reported in the statement of financial position include: financial assets at fair value through profit or loss, short-term receivables, cash and cash equivalents.

2.1. Short-term receivables

Short-term receivables as of 31.12.2022 amount to BGN 195 thousand.

2.2. Cash and cash equivalents

The company reports the following assets as cash and cash equivalents: available cash and in current and deposit accounts. As of 31.12.2022, their amount is BGN 344 thousand.

2.3 Financial assets accounted for at fair value

The company reports as Financial assets, reported at fair value - investments in shares, units and corporate bonds with a book value of BGN 1,452 thousand as of 31.12.2022.

2.4. Objectives and management policy regarding risk management

In 2022, under the management of CIS and AIF, the Management Company enters into transactions seeking, in the current market conditions, to take the most reasonable actions possible to preserve the value of investments.

Leading for the Management Company in the management of CIS and AIF are compliance with investment restrictions, control over liquidity, analysis of the market situation to find the best opportunities for sale and purchase of financial instruments. The accumulated professional experience over the past fifteen years of active development in Bulgaria on the market of collective investment schemes enables the team of EF ASSET MANAGEMENT AD to create an appropriate internal organization of work to ensure the preservation of investors' interests and the avoidance of conflicts of interests, the observance of the ban on insider trading, the effective distribution of functions and responsibilities of the various departments, control and timely provision of information.

The management company, through the joint actions of the Portfolio Management and Risk Management departments, sought to expand the value of the risk investments of KIS and AIF that it manages in order to realize additional profitability. The portfolio managers selected financial instruments with good economic indicators and professionally established management, including maintaining an adequate level of cash, which allows meeting redemption obligations. Some of the investments in 2022 were also directed towards lower risk investments, such as bonds and bank deposits in local banks, which still offer good returns. Investments in stocks focused on Bulgarian stocks with stable market positions and good corporate management practices, which allows them to better position themselves in the country's economy.

As a result of its main activity, the Company is exposed to financial risks, which can be divided into the following three main categories - market risks, credit risks and operational risks. In addition to these three main risk categories, the Company is also exposed to some combined risk factors, realized in liquidity risk, regulatory risk, reputational risk, business risk and others.

Daily risk management activities in the Company are carried out by the "Risk Management" department, for which the department reports directly to the Board of Directors. Management's priority is to reduce the Company's risk exposure, incl. by providing the short- and medium-term cash flows necessary to cover emerging liabilities.

The most significant financial risks to which the Company is exposed are discussed in detail below.

Market risk

Market risk is the probability of losses in the management of funds under the influence of unfavorable changes in the prices of financial instruments, market interest rates, prevailing exchange rates, which is determined by two main categories of risk factors:

- Systemic (general market) risk affecting the value of all financial instruments on the market. Systemic risk arises from the characteristics of the macroeconomic environment and the state of the capital market in the country, acts outside the company and, in principle, cannot be diversified. The main methods for limiting the systemic risk and its individual components are the collection and processing of information about the macroeconomic environment, and on this basis, forecasting and matching the investment policy with the expected dynamics of this environment;
- Specific (company) risk that arises from the specific characteristics of a financial instrument or the company that issued it. The company neutralizes the specific market risk of its own investments and individual investments of CIS by means of diversification of financial instruments.

The main varieties of market risk - currency, interest rate and price - are discussed below.

Currency risk

Currency risk is the risk arising from changes in the prevailing market levels of exchange rates, which can be realized through a decrease/increase in the value of assets/liabilities denominated in a foreign currency and/or a decrease/increase in income/expenses related to financial instruments or transactions denominated in a foreign currency.

The management company is exposed to currency risk when making payments in foreign currency. When they are carried out, income and expenses arise from foreign exchange operations, which are reported in the income statement. The main part of the currency exposures is formed by the monetary assets and liabilities of the Management Company , denominated in a currency other than leva and euro.

The management company manages the currency risk by limiting its open position in currencies other than leva and euro. Due to the nature of the cash flows, namely payments to CIS customers, income and expenses from foreign exchange operations and revaluations are not relevant.

Interest rate risk

Interest rate risk is the risk arising from changes in the prevailing market levels of interest rates, which has two main varieties:

- risk of changes in the market price of interest-bearing financial instruments (including derivatives based on interest rates) in connection with changes in market interest rates;

- risk of reduction/increase in interest payments on interest-bearing assets/liabilities in connection with changes in market interest rates;

The activity of the Management Company is subject to the risk of fluctuations in interest rates, only to the extent that during the reporting period the Management Company concludes contracts for deposits with various banks, the interest income from which is exposed to the risk of a decrease in interest rates. During the reporting period, the Company has no interest-bearing liabilities that could lead to exposure to the risk of an increase in interest payments.

The following table shows information on the nominal interest rates of the Company's assets:

31 December 2022	**Interest %**	**Interest-bearing**	**Interest free**	**Total**
		000 BGN	**000 BGN**	**000 BGN**
Cash in cash and bank	0.0 0 %	344	-	344
Corporate bonds	from 4.00 % up to 4.50 %	68	-	68
Shares	-	-	1 237	1 237
Units of CIS	-	-	147	147
Receivables	-	-	195	195
Total assets		**412**	**1 579**	**1 991**

Price risk

Price risk is the risk arising from changes in the prevailing market prices of tradable financial instruments (shares, units of exchange-traded funds, corporate bonds, etc.).

During the period, the Management Company has no assets or liabilities leading to the assumption of price risk related to tradable financial instruments.

The main income of the Company is related to the size of the managed assets (the net value of the assets of the managed funds on which the management fee is charged) and the interest of the investors in the managed contract funds .

Both sources of income are mainly related to the state of public companies traded on the Bulgarian Stock Exchange AD (BSE). The increase/decrease in BSE prices of the shares that the funds managed by the Company own would lead to the corresponding increase/decrease in management income. This increase/decrease also affects investors' interest in the funds, as an increase in prices would result in a higher return for investors, and a decrease in prices would result in a lower return or loss for investors.

Credit risk
Credit risk is the probability that losses will be realized due to a decrease in the value of a given financial instrument in the event of adverse credit events (including settlement risk in case of default by the counterparty) related to the issuer of the financial instrument or the counterparty to the transaction, as well as the countries or the jurisdictions where they are based or operate. Credit risk has two main varieties:

- Position risk – the possible loss resulting from a change in the price of a given financial instrument as a result of factors related to the creditworthiness of the issuer or in the case of a derivative instrument linked to the issuer of the underlying instrument;
- Settlement risk – the possible loss resulting from the inability or unwillingness of a counterparty to a transaction with financial instruments to fulfill its obligations accurately and on time;

During the period, the Management Company maintains receivables only against first-class counterparties (deposits with banks), which reduces position risk and settlement risk to a negligible low level.

The Company's exposure to credit risk is limited to the amount of the book value of the financial assets recognized at the date of the financial statements, as indicated below:

	2022 BGN thousand	2021 BGN thousand
Groups of financial assets - balance sheet values:		
Debt instruments at amortized cost		
Other receivables	34	2
Receivables from related parties	161	138
Cash and cash equivalents	344	283
Financial assets at fair value through profit and loss	1 452	1 708
Book value	**1 991**	**2 131**

The main revenues that the Company realizes are from the organization and management of the two collective investment schemes - MF "EF Rapid" and ETF "EF Principal" ETF and one alternative investment fund - NMF "EF Potential". Due to the availability of the right to manage the said Funds, the Company is not exposed to the credit risk of non-payment of obligations by the funds to the Company.

The management of the Company considers that all the above-mentioned financial assets, which have not been impaired during the presented reporting periods, are financial assets with a high credit rating, including those that have reached maturity.

The following tables present an analysis of the maturity structure according to the remaining maturity of the financial assets:

as of 31.12.202 2 years	up to 3 months	from 3 months to 1 year	from 1 to 5 years	from 5 to 10 years	No matriculation	Total
	BGN thousand		BGN thousand		BGN thousand	BGN thousand
Cash and cash equivalents	-	-	-	-	344	344
Receivables	4	4	26	-	-	34
Receivables from related parties	161	-	-	-	-	161
Shares	-	-	-	-	1 237	1 237
Units of CIS	-	-	-	-	147	147
Bonds	-	-	68	-	-	68
Total assets	**165**	**4**	**94**	**-**	**1 728**	**1 991**

Liquidity risk

Liquidity risk there are two main varieties:

- Funding risk, which arises in connection with the provision of financial means to meet financial obligations when they become due. The risk of financing has two dimensions: risk that the Management Company will not be able to meet the obligations to the Clients of CIS and AIF and risk that the Management Company will not be able to meet obligations related to its own activities;
- Risk related to the market liquidity of financial instruments, which occurs when a transaction cannot be carried out at the prevailing market prices of financial instruments, or its execution is possible only in unfavorable financial conditions, due to the significant size of the position compared to normal trading.

The management company implements procedures for managing the liquidity risk of each CIS and AIF, in order to ensure compliance with the requirements under Art. 21 CISOUCIA.

Unsystematic risks

The funds operate in a highly regulated environment, which is a prerequisite for reducing the risks of operations. The main regulator is the Financial Supervision Commission. Additional control is carried out by the depository bank.

Measures to reduce the impact of the financial crisis

In connection with the highly variable conjuncture of the financial markets worldwide , in addition to the procedures expressly provided for in the Fund Risk Management Rules, EF Asset Management AD undertakes additional measures in connection with the management of liquidity and credit risks, namely:

- Continuous control and timely provision of information to the "Portfolio Management" department and the representatives of the Company on the number and amount of submitted orders for issuing and repurchasing shares for the next working day;
- Continuous monitoring of price movements of financial instruments from fund portfolios during exchange sessions;
- Checking and notifying the representatives - about the availability of liquid assets and their relative share in the total amount of the funds' assets.

As of December 31, 2022, the maturities of the Company's obligations are summarized as follows:

December 31, 2022	**Short term**	**Long term**		**Total**
	Up to 1 year	**From 1 to 5 years**	**Over 5 years**	
	000 BGN	**000 BGN**	**000 BGN**	**000 BGN**
Obligations under leasing contracts	51	252	14	317
Other duties	29	-	-	29
	80	**252**	**14**	**346**

As of December 31, 2021, the maturities of the Company's obligations are summarized as follows:

December 31, 2021	Short term	Long term		Total
	Up to 1 year	From 1 to 5 years	Over 5 years	
	000 BGN	000 BGN	000 BGN	000 BGN
Obligations under leasing contracts	35	147	46	228
Other duties	43	-	-	43
	78	**147**	**46**	**271**

Operational risk

Operational risk is the probability that losses will be realized due to inappropriate or inadequate internal rules and/or procedures, personnel and/or information systems errors, malicious actions, adverse external events and others.
Operational risks are related to four main risk factors:

- Personnel – possible losses related to errors, fraud and the like, lack of relevant qualifications or loss of key employees, etc.;
- Processes – possible losses due to transactions, accounting errors, unfavorable contracts, inaccurate financial statements or valuations, etc.;
- Systems – possible losses from a breakdown of information systems or communication channels, program errors, incorrect data, security breaches, lack of operating capacity, etc.;
- External risks – possible losses due to natural disasters, court orders, non-performance by suppliers, theft, robbery, etc. illegal actions by outsiders, political, regulatory, tax and other factors.

The management company manages operational risk with the help of a system of internal control of processes, levels of access to systems and transaction limits of personnel.

Categories of financial assets

The balance sheet values of the Company 's financial assets can be presented in the following categories:

Financial actives	Note	2022 BGN thousand	2021 BGN thousand
Debt instruments at amortized cost:			
Receivables from related parties	20.3	161	138
Other receivables	8	34	2
Cash and cash equivalents	9	344	283
		539	**423**
Financial assets at fair value through profit and loss:	6		
Bonds		68	1 052
Shares		1 237	656
Shares of KIS		147	-
		1 452	**1 708**

Financial liabilities	Note	2022 BGN thousand	2021 BGN thousand
Financial liabilities reported at amortized cost:			
Obligations under leasing contracts	11.1	317	228
Other duties		29	43
		346	**271**

PASSIVES

The current liabilities of the company as of 31.12.2022 represent short-term liabilities that will be repaid no later than 12 months from their occurrence (BGN 80 thousand). They include: liabilities under leasing contracts - BGN 51 thousand, tax liabilities - BGN 27 thousand, liabilities to counterparties - BGN 2 thousand. The company's non-current liabilities as of 31.12.2022 represent liabilities under leasing contracts – BGN 266 thousand .

EQUITY

Equity consists of share capital, reserves and financial result.

1. Share capital

The share capital of the Management Company is in the amount of 400,000 (four hundred thousand) BGN, divided into 400,000 (four hundred thousand) ordinary non-issued registered shares with the right to one vote and with a nominal value of 1 (one) BGN each.

The capital of the Management Company at its establishment was in the amount of 100,000 (one hundred thousand) BGN. In July 2005, it was increased to 250,000 (two hundred and fifty thousand) BGN and in 2012 it was increased by another 150,000 (one hundred and fifty thousand) BGN.

2. Reserve

As of 31.12.2022, the Company's reserves amount to BGN 40 thousand.

3. Financial result

The financial result for 2022 is positive and, after conversion for tax purposes, amounts to BGN 1,122 thousand.

INCOME

1. Revenue from provision of services

The Company's income is formed by the management fees of CIS and AIF. As of 31.12.2022, they amount to BGN 1,756,000. Revenues from each service are recognized for the period for which the service was actually performed, i.e. when the expenses for it have been incurred.

Revenue from provision of services	2022 000 BGN	2021 000 BGN
- Income from management of ETF EF Principal ETF	873	851
- Income from management of MF EF Rapid	556	518
- Income from management of NMF EF Potential	327	7
Total:	**1 756**	**1 376**

2. Income from investment operations

In 2022, the Company realized a net loss from operations with financial assets accounted for at fair value in profit or loss.

Net gain/(loss) from transactions with financial assets at fair value through profit or loss	2022 000 BGN	2021 000 BGN
Gain from a change in the fair value of financial assets at fair value through profit or loss	129	352
Loss from change in fair value of financial assets at fair value through profit or loss	(179)	(31)
Total	**(50)**	**321**

3. Financial income

The company's financial income includes interest income from publicly traded securities at fair value through profit or loss.

Interest income for 2022 consists of interest on operations with debt financial instruments and interest on current accounts. As of 31.12.2022, their value is BGN 27 thousand.

COSTS

Expenses are recognized in the statement of profit or loss and other comprehensive income in the period in which they are incurred. The expenses incurred in the current period, which are related to the receipt of income or benefits in the next accounting period, are reflected as expenses for future periods.
Costs of ordinary activity include costs accounted for by economic elements and financial costs. Expenditures on economic elements take up a major part of the incurred expenses for 2022.

1. Expenses by economic elements

Costs of economic elements include costs for materials, for external services, for depreciation, for remuneration, for insurance and others. As of 31.12.2022 , their total value is BGN 477 thousand

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2. Financial costs

The financial expenses include the expenses for bank fees and commissions and expenses for interest on lease contracts, which as of 31.12.2022 amount to BGN 11 thousand.

III. Analysis of main financial and non-financial indicators

Financial indicators

Analysis of key financial indicators related to business activity.

Performance indicators are the quantitative characteristics of the ratio between the Company's Income and Expenses. The results of the calculation of cost efficiency ratios allow to determine how much income from the activity the fund receives from the use of a unit of expenditure for the same activity. The revenue coefficients are reciprocal to the previous ones. They show how much expenditure is incurred per unit of revenue.

Indicators	**31.12.2022**	**31.12.2021**	**Amendment**
Income	1,915,191	1,755,133	9.1%
Expenses	667 677	370 466	80.2%
Odds			
Cost effectiveness	0.35	0.21	66.7%
Revenue efficiency	2.87	4.74	-39.5%

The financial result characterizes the efficiency of the financial and economic activity. It can be a profit or a loss depending on the ratio between income and expenses. The amount of the financial result is indicated in the Statement of Income and Expenses, as well as in the Statement of Financial Status.

Changes in the financial result status

Financial result as of 31.12.2022	**Financial results as of 31.12.2021**	**Amendment**
1 121 787	1 244 8 75	-9.89 %

Liquidity indicators express the ability of the Company to pay its current liabilities with available short-term assets. Liquidity indicators are defined as coefficients in the calculation of which assets and liabilities are compared. The total liquidity ratio is calculated by dividing current assets by current liabilities .

Liquidity indicators	**31.12.2022**	**Total liquidity ratio**	**31.12.2021**	**Total liquidity ratio**	**Amendment**
Current assets	1,991,290		2,131,479		
Current liabilities	80,046	**2488 %**	78,325	**2721 %**	**-8.56%**

Indebtedness ratios show what proportion of the Company's capital is debt and its current financial position. With a high degree of indebtedness of the Company, it will experience difficulty in carrying out its economic activity.

Indebtedness Indicators	31.12.2022	Debt to Equity ratio	31.12.2021	Debt to Equity ratio	Amendment
Total liabilities	346,276		271 134		
Total Equity	1,955,723	**17.71 %**	2,078,811	**13.04 %**	**- 35.81 %**

Changes in the status of assets			
	31.12.2022	**31.12.2021**	**Amendment**
Assets	2,301,998	2,349,946	**-2.04 %**

Profitability is one of the most important parameters , which characterizes the financial state of the Company . Reflects the potential of the enterprise to generate and resolve incomes .

Profitability ratios					
	31.12.2022		**31.12.2021**		**Amendment**
	Return on equity				
Total net profit	1,121,787	57 %	1,244,875	60 %	
Total Equity	1,955,723		2,078,762		- 4.22 %
	Return on assets				
Total net profit	1,121,787	49 %	1,244,875	53 %	
Total assets	2,301,998		2,349,946		-8.01 %

IV. Events after the reporting date

The board of directors of the management company declares that for the period after the date on which the financial statement was drawn up until the date of its preparation, no other important and/or significant non-adjusting events have occurred for the enterprise's activity, the non-disclosure of which would affect the true and fair presentation of financial statements.

V. Remuneration of the members of the Company's board of directors in 2022.

The fees accrued in 2022 under the Company's Management and Control Agreements amount to BGN 115 thousand.

VI. Company shares acquired, owned and transferred by the members of the board of directors during the year

In 2022, no transfers of shares were made by members of the board of directors.

As of 31.12.2022 , the shareholder structure has the following form:

- Euro-Finance AD owned 79,840 shares or 19.96% of the Company's share capital.
- Synthetika AD owns 39,800 shares or 9.95% of the Company's share capital.
- Bonds Advisors Ltd. owns 39,800 shares or 9.95% of the Company's share capital.

- Italtech Service-Bulgaria EOOD owns 39,800 shares or 9.95% of the Company's share capital.
- Loudspeakers-CE EOOD owns 39,800 shares or 9.95% of the Company's share capital.
- Euroautoservice EOOD owns 39,920 shares or 9.98% of the Company's share capital.
- ACM Consult EOOD owns 39,800 shares or 9.95% of the Company's share capital.
- Smart IT Solutions EOOD owns 39,800 shares or 9.95% of the Company's share capital.
- Insurance broker Pro Ins EOOD owns 39,920 shares or 9.98% of the Company's share capital.
- Tsvetelina Konstantinova Kostadinova owns 1,520 shares or 0.38% of the Company's share capital.

VI. Rights of the members of the Board of Directors to acquire shares of the Company

Each member of the Board of Directors has the right to acquire shares from the Company.

VII. The participation of the members of the Board of Directors and the Procurator in commercial companies as unlimited partners, the ownership of more than 50 percent of the capital of another company, as well as their participation in the management of other companies or cooperatives as procurators, managers or board members is indicated as information below :

IVAN KONSTANTINOV OVCHAROV is a manager in Tia Energy Ltd., Director at Hanson Asset Management, UK, Member of the Board of Directors of Quintar Capital, Hong Kong and Member of the Board of Directors of Swiss Global Asset Management AG, Zurich .

DORA TENEVA IRIKOVA does not participate in the management of other companies and does not own capital from such companies .

EVELINA PETROVA VASILEVA does not participate in the management of other companies and does not own capital from such companies .

IVELINA IVAILOVA IVANOVA e Chairman of the Board of Directors of Innovo Status AD, Skopje, Macedonia.

VIII. Contracts under Art . 240 b of the TK concluded during the year.

The members of the board of directors or persons related to them in 2022 did not conclude contracts with the Company that go beyond its usual activity or deviate significantly from market conditions.

IX . Actions in the field of research and development.

Actions in the field of research and development have not been carried out.

X. The presence of branches of the enterprise.

The company has no open branches.

X II . Prospects for the development of the Company in 2023.

In 2023, the Company will strive to increase the value of the assets under management and optimize its investment policy in order to achieve the maximum tall profit depending on the level of risk tolerance of customers .
EF Asset Management AD has set itself the goal of increasing the rates of growth of the funds under management in its CIS and AIF, such as main source is expected to be institutional customers .

In 2023, the Company will continued its more aggressive policy of attracting the wealthy companies and citizens for customers .

IVAN OVCHAROV:_____
CEO

IVELINA IVANOVA : _____
Procurator

Date: 28.03.2023
Sofia

Statement of financial position

	Note	2022 000 BGN	2021 000 BGN
Assets			
Non-current assets			
Machinery, plant and equipment	5	311	219
Non-current assets		**311**	**219**
Current assets			
Financial assets accounted for at fair value	6	1 452	1 708
Receivables from related parties	20.3	161	138
Other receivables	8	34	2
Cash and cash equivalents	9	344	283
Current assets		**1 991**	**2 131**
Total assets		**2 302**	**2 350**

Prepared by: _____
(Ivelina Ivanova)

Date: 28.03.2023

ЕФ Асет Мениджмънт АД
ef ASSET management
EF Asset management JSC

CEO: _____
(Ivan Ovcharov)

Procurator: _____
(Ivelina Ivanova)

Financial report on which we have issued an audit report dated 28.03.2023.

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 148
БРЕЙН СТОРМ КОНСУЛТ - ОД ООД

Финансов отчет,
върху който сме издали одиторски
доклад с дата:
28 -03- 2023
„Брейн Сторм Консулт – ОД" ООД
Регистриран одитор, отговорен за одита: .....

Statement of financial position (continued)

	Note	2022 000 BGN	2021 000 BGN
Equity			
Share capital	10.1	400	400
Reservations		40	40
Retained earnings		1 516	1 639
Total Equity		**1 956**	**2 079**
Passives			
Non-current liabilities			
Obligations under leasing contracts	11.1	266	193
Non-current liabilities		**266**	**193**
Current liabilities			
Obligations under leasing contracts	11.1	51	35
Tax obligations	12	27	41
Other duties		2	2
Current liabilities		**80**	**78**
Total liabilities		**346**	**271**
Total equity and liabilities		**2 302**	**2 350**

Prepared by: _____
(Ivelina Ivanova)

Date: 28.03.2023

ЕФ Асет Мениджмънт АД
EF Asset management JSC

CEO: _____
(Ivan Ovcharov)

Procurator: _____
(Ivelina Ivanova)

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Statement of profit or loss and other comprehensive income for the year ended 31 December

	Note	2022	2021
		000 BGN	000 BGN
Service income	14	1 756	1 376
Material costs	15	(13)	(6)
Costs for external services	1 6	(119)	(73)
Staff costs	13.1	(236)	(176)
Depreciation costs of non-financial assets	5	(39)	(47)
Other expenses	1 7	(70)	(25)
Operating profit		**1 279**	**1 049**
Financial income	1 9	30	28
Net gain/(loss) on financial assets at fair value through profit or loss	1 8	(50)	321
Financial costs	1 9	(11)	(13)
Profit before tax		**1 248**	**1 385**
Expenditure on taxes, net	20	(126)	(140)
Profit for the year		**1 122**	**1 245**
Total comprehensive income for the year		**1 122**	**1 245**

Prepared by: _____ **CEO:** _____ **(Ivan Ovcharov)**
(Ivelina Ivanova)

Procurator: _____
(Ivelina Ivanova)

Date: 28.03.2023

ЕФ Асет Мениджмънт ad
ef ASSET MANAGEMENT
EF Asset management JSC

Financial report on which we have issued an audit report dated 28.03.2023.

ОДИТОРСКО ДРУЖЕСТВО
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Statement of changes in equity for the year ended 31 December

	Shareholder capital 000 BGN	Reservations 000 BGN	Accumulated earnings 000 BGN	Total capital 000 BGN
Balance as of January 1, 202 2	**400**	**40**	**1 639**	**2,079**
Distribution of dividends	-	-	(1 245)	(1 245)
Deals with owners	**-**	**-**	**(1 245)**	**(1 245)**
Profit for the year	-	-	1 122	1 122
Total comprehensive income for the year	**-**	**-**	**1 122**	**1 122**
Balance as of December 31 , 2022	**400**	**40**	**1 516**	**1 956**

Prepared by: _____
(Ivelina Ivanova)

Date: 28.03.2023

ЕФ Асет Мениджмънт АД
EF Assetmanagement ASC

CEO: _____
(Ivan Ovcharov)

Procurator: _____
(Ivelina Ivanova)

Financial report on which we have issued an audit report dated 28.03.2023.

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Statement of changes in equity for the year ended 31 December (continued)

	Shareholder capital 000 BGN	Reservations 000 BGN	Accumulated earnings 000 BGN	Total capital 000 BGN
Balance as of January 1, 2021	**400**	**40**	**882**	**1 322**
Distribution of dividends	-	-	(488)	(488)
Deals with owners	**-**	**-**	**(488)**	**(488)**
Profit for the year	-	-	1 245	1 245
Total comprehensive income for the year	**-**	**-**	**1 245**	**1 245**
Balance as of December 31 , 2021	**400**	**40**	**1 639**	**2 079**

Prepared by: _____
(Ivelina Ivanova)

Date: 28.03.2023

ЕФ Асет Мениджмънт АД
EF Asset management JSC

CEO: _____
(Ivan Ovcharov)

Procurator: _____
(Ivelina Ivanova)

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Cash Flow Statement

	Note	2022 000 BGN	2021 000 BGN
Operations			
Proceeds from funds		1 734	1 303
Payments to trading partners		(218)	(89)
Payments to staff and insurance institutions		(237)	(177)
Tax payments		(142)	(111)
Other cash flows, net		(19)	(9)
Net cash flow from operating activities		**1 118**	**917**
Investment activity			
Proceeds from current financial assets		1 554	602
Payments for current financial assets		(1 322)	(829)
Net cash flow from investing activity		**232**	**(227)**
Financial activity			
Lease payments	11.1	(44)	(53)
Dividend payments		(1 245)	(488)
Net cash flow from financing activities		**(1 289)**	**(541)**
Net change in cash and cash equivalents		61	149
Cash and cash equivalents at the beginning of the year		283	134
Cash and cash equivalents at the end of the year	**9**	**344**	**283**

Prepared by: _____
(Ivelina Ivanova)

Date: 28.03.2023

ЕФ Асет Мениджмънт АД
EF Asset management JSC

CEO: _____
(Ivan Ovcharov)

Procurator: _____
(Ivelina Ivanova)

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Регистриран одитор, отговорен за одита:.....

Notes to the financial statement

1. General information

Management company EF Asset Management AD (the Company) was established in 2005 at the Constituent Assembly of January 28 , 2005. with capital in the amount of BGN 100,000 , divided into 100,000 ordinary, dematerialized registered shares, each with a nominal value of BGN 1. The company received permission to carry out its activities in accordance with its Articles of Association with a decision of the State Securities Commission (SCC) in 2006 , namely: management of the activity of collective investment schemes within the meaning of paragraph 1, item 26 of the LPA and of closed-end investment companies. The court registration of the Company takes place with a decision of the Sofia City Court from 2006. The Company was established without a fixed term .

On 13.07.2005, by decision of the General Meeting of Shareholders, the company increased its capital from BGN 100,000 to BGN 250,000 by issuing new 150,000 ordinary non-voting shares with a nominal value of BGN 1 each. In 2012, the capital was increased by another BGN 150,000.

The Board of Directors of the Company is composed of : Ivan Konstantinov Ovcharov – Executive Director; Evelina Petrova Vasileva – Chairman of the Board of Directors and Dora Teneva Irikova – member of the Board of Directors. The company represents itself jointly by Ivan Konstantinov Ovcharov and Ivelina Ivaylova Ivanova - Procurator.

As of 31.12.2022, the numerical composition the staff is 8 people.

EF Asset Management AD has its headquarters and management address: Sofia, 43 Christopher Columbus Blvd., 5th floor, phone: (+ 359 2) 9021 944.

As of December 31, 2022 , the Company organizes and manages the following open-end collective investment schemes:

- Mutual Fund EF Rapid
- Exchange Traded Fund EF Principal ETF

As of December 31, 2022, the Company organizes and manages the following open-end alternative investment funds:

- National Mutual Fund EF Potential

As of December 31, 2022, the Company has no open branches.

The ultimate the owner is the company Euro-Finance AD registered in the Trade Register register at the Registration Agency and EIK 831136740, whose equity instruments are NOT listed in Bulgaria stock stock market .

2. Basis for preparation of financial statements

The Company's financial report is prepared in accordance with the International Financial Reporting Standards (IFRS), developed and published by the International Accounting Standards Board (IASB) and adopted by the European Union (IFRS adopted by the EU). In the sense of paragraph 1, point 8 of the Additional provisions of the Accounting Law applicable in Bulgaria, the term "IFRS

adopted by the EU" represents the International Accounting Standards (IAS) adopted in accordance with Regulation (EC) 1606/2002 of the European Parliament and the Council.

The financial report is drawn up in Bulgarian leva, which is the functional currency of the Company. All amounts are presented in thousands of BGN ('000 BGN) (including the comparative information for 2021), unless otherwise stated.

The financial report has been prepared using the going concern principle.

The financial statement as of December 31, 2022 was approved and adopted by the Board of Directors on March 28, 2023.

As of the date of preparation of this financial report, the management of the Management Company has made an assessment of the ability of EF Asset Management AD to continue its activity as a going concern based on the available information for the foreseeable future. After the review of the Company's activities, the management expects that the Company has sufficient financial resources to continue its operational activities in the near future and continues to apply the going concern principle in the preparation of the financial statements.

3. Changes in accounting politics

3.1. New standards, clarifications and amendments effective January 1, 2022:

The company has applied the following new standards, amendments and clarifications to IFRS, developed and published by the International Accounting Standards Board, which are mandatory for the annual period starting on January 1, 2022, but do not have a material effect of their application on the financial result and the financial situation of the Company:

- ***Amendment to IAS 16 Property, plant and equipment - Proceeds before intended use - effective from 1 January 2022.***

✓ It was published by the International Accounting Standards Board (IASB) on 14.05.2020.
✓ adopted for application in the EU according to Regulation (EU) No. 2021/1080 of June 28 , 2021 (Official Journal, No. L 234 of 07/02/2021).

The amendment to IAS 16 affects the accounting treatment of revenue from the sale of units produced in bringing an asset of property, plant and equipment to the location and condition necessary for it to function in the manner intended by management, according to par . 17, letter "e" of IAS 16 Property, machinery and equipment.
The amendments apply retrospectively, but only to property, plant and equipment that has been brought to the location and condition necessary to function in the manner intended by management on or after the beginning of the earliest period presented in the financial statements. in which the company implements the amendment for the first time. The cumulative effect of the initial application of the amendment should be reflected as an adjustment to the opening balance of retained earnings at the beginning of the earliest period presented.

The amendment to IAS 16 is effective for annual periods beginning on or after 01/01/2022. Earlier application is permitted, provided this fact is disclosed.
The company's management is in the process of evaluating the possible effects of the application of the amendments and their impact on the company's financial statements in the future.

- ***Amendments to IAS 37 Provisions, contingent liabilities and contingent assets - Onerous contracts - contract performance costs - effective from 1 January 2022.***

✓ The amendment to IAS 37 entitled "Onerous contracts - contract performance costs" was published by IAS on 14.05.2020.
✓ It was adopted for application in the EU according to Regulation (EU) No. 2021/1080 of June 28 , 2021 (Official Journal, No. L 234 of 07/02/2021).

The amendment to IAS 37 clarifies which costs the enterprise should include in the composition of costs for the performance of a contract in order to assess whether the contract is onerous and therefore to recognize a provision .

The amendment to IAS 37 should be applied to annual reporting periods beginning on or after 01.01.2022 in relation to existing contracts under which the entity has not fulfilled all its obligations. Earlier application is permitted.

The amendment should be applied retroactively, adjusting the opening balance of retained earnings (or other affected component of equity) on the date of the original application . The comparative information in the financial statement is not recalculated .

- ***Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework - effective from 1 January 2022***

✓ The amendment to IFRS 3 Business Combinations entitled Reference to the Conceptual Framework Published was published by the International Accounting Standards Board (IASB) on 14.05.2020.
✓ adopted for application in the EU according to Regulation (EU) No. 2021/1080 of June 28 , 2021 (Official Journal, No. L 234 of 07/02/2021).

The amendment changes IFRS 3 in three aspects:
1) Updated the reference to the applicable framework – the Conceptual Framework for Financial Reporting (2018 Framework).
2) A new exception to the principle of recognition of liabilities and contingents is introduced liabilities incurred in a business combination, in respect of transactions and others events within the scope of IAS 37 Provisions, conditional liabilities and contingent assets or IFRIC 21 Charges, whereby the acquirer should apply IAS 37 or IFRIC 21 (rather than the Conceptual Framework), respectively, to identify the obligations he assumed in a business combination.
3) It is added to MSF O 3 explicitly requirement that the acquirer does not recognize (does not report balance sheet) contingent assets acquired in a business combination .

The amendment to IFRS 3 should be applied prospectively to business combinations whose acquisition date is on or after the beginning of the first annual reporting period starting on or after 01.01.2022

Earlier application is allowed if the enterprise at the same time or earlier applies and all others updated references according to Amendments to IFRS References to the Conceptual Framework published by the IASB in March 2018. Together with the new version of the Conceptual Framework.

- ***Annual Improvement of IFRS 2018-2020 cycle - effective from 1 January 2022***

The annual improvements to non -IFRS, cycle 2018-2020 were published by the CMSS on 14.05.2020 and were adopted for application in the EU according to Regulation (EU) No. 2021/1080 of 28 June 2021 (Official Gazette, No. L 234 of 02.07.2021).

These annual improvements to IFRS introduce changes of limited scope to the following standards:

- ✓ IFRS 1 – the amendment to IFRS 1 eases the application of IFRS 1 by a subsidiary that applies IFRS O for the first time later than its parent, with respect to the measurement of cumulative currency translation differences.
  This amendment also applies to an associate or joint venture that chooses to apply par . D6, letter "a" of IFRS 1. The amendment is effective for annual reporting periods beginning on or after 01.01.2022, with earlier application permitted.
- ✓ IFRS 9 – the amendment to IFRS 9 aims to clarify which charges and expenses the entity should take into account when applying the requirement regarding the 10% materiality threshold (par.B.3.3.6) in relation to modified financial liabilities.
  The amendment is effective for annual reporting periods beginning on or after January 1, 2022, with earlier adoption permitted. If the enterprise implements the amendment earlier, it shall disclose this fact.
  An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual accounting period in which the entity applies the amendment for the first time (the amendment is applied prospectively, not retroactively).
- ✓ IAS 41 – the amendment removes the requirement that entities exclude cash flows for taxes when measuring the fair value of assets within the scope of IAS 41.
  The entity shall apply the amendment prospectively to fair value measurements made on or after the beginning of the first annual accounting period beginning on or after 01/01/2022. Earlier application is permitted, provided that this fact is disclosed.
  The amendment is applied prospectively, ie to measure fair value on or after the date the entity initially applies the amendment. The amendment is effective for annual periods beginning on or after January 1, 2022, with earlier application permitted.
- ✓ IFRS 16 – part I of Example for illustration 13 of the Examples for illustration in par . PI5 to IFRS 16 Leasing, removing from the example the text that the lessor recovers improvements to the leased property .
  The illustrative examples of IFRS 16 are not an integral part of the standard, the amendment is not subject to adoption by the European Commission, and this date has not been officially published together with the other amendments to Annual Improvements to IFRS, 2018-2020 cycle.

The Company's management does not expect the implementation of the amendments in the future to have an impact on the Company's financial statements.

3.2. Standards, amendments and clarifications that have not yet entered into force and are not applied from an earlier date by the Company

At the date of approval of this financial statement, new standards, amendments and clarifications to existing standards have been published, but have not entered into force or have not been adopted by the EU for the financial period starting on 1 January 2022 and have not been implemented from an earlier date than the Company. They are not expected to have a material effect on the Company's financial statements. Management expects all standards and amendments to be adopted in the Company's accounting policy during the first period beginning after their effective date.
The changes are related to the following standards:

- ***Changes in IAS 1 Presentation of financial statements and IFRS Practice Statement 2 Preparation of materiality judgments - Disclosure of accounting policies - effective from* 1 January 2023.**

These changes concern the refinement of the definition of "materiality" specified in the two standards.
The amendments are applied prospectively for annual periods beginning on or after January 1, 2023, with earlier application permitted.

The company is currently evaluating the impact of the amendments to determine the effect they will have on its accounting policy disclosures.

- ***Amendments to IAS 8 Accounting Policy, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates - effective from* 1 January 2023.**

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policy and the correction of errors. They also clarify how businesses should use techniques to measure and evaluate inputs to develop accounting estimates.
The amendments are effective for annual reporting periods beginning on or after January 1, 2023, and apply to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period. Earlier application is allowed as long as this fact is disclosed.
The company's management is in the process of evaluating the possible effects of the application of the amendments and their impact on the company's financial statements in the future.

- ***Amendments to IAS 1 Presentation of financial statements: Classification of liabilities as current or non-current - effective from* 1 January 2023.**

The changes affect only the presentation of liabilities as current or non-current in the statement of financial position, not the amount or timing of recognition of the assets, liabilities, income or expenses, or the information disclosed about those items.
The amendments are applied retrospectively to annual periods beginning on or after January 1, 2023, with earlier application possible.

The Company's management does not expect the implementation of the amendment to have an impact on the Company's financial statements .

- ***Amendments to IAS 12 Income taxes - Deferred taxes relating to assets and liabilities arising from a single transaction - effective from* 1 January 2023.**

The amendments introduce an additional exception to the original exemption from recognition. Under the amendments, an entity does not apply the exemption from initial recognition to transactions that result in equal taxable and deductible temporary differences.
Following the amendments to IAS 12, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset subject to the recovery criteria in IAS 12.
The amendments apply to transactions that take place on or after the beginning of the earliest comparative period presented.
The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.
The company's management is in the process of evaluating the possible effects of the application of the amendments and their impact on the company's financial statements in the future.

- ***IFRS 17 Insurance Contracts – effective from* 1 January 2023.**

The amendments introduce a change to the common measurement model, called a "variable fee" approach, for certain contracts written by life insurers , where policyholders have a share of the returns on the underlying positions.
The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.
Early application is permitted provided that the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Company's management does not expect the application of these amendments in the future to have an impact on the Company's financial statements.

- ***Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associates or joint ventures* - the effective date of the amendments has not yet been determined by IAS**

The IASB made limited changes to the scope of IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures.
The amendments clarify the accounting treatment of sales or transfers of assets between an investor and its associates or joint ventures.
The changes are applied prospectively .
The Company's management does not expect the application of the amendments (in the case of their permissible earlier application) to have an impact on the Company's financial statements, but the application of these amendments may have an impact on the consolidated financial statements of the Group in future periods, if such arise transactions.

4. Accounting policy

4.1. General

The most significant accounting policies applied in the preparation of these financial statements are presented below.

The financial statements have been prepared in compliance with the valuation principles for each type of assets, liabilities, income and expenses according to IFRS. The valuation bases are disclosed in detail further in the accounting policy to the financial statements. The financial statements have been prepared in accordance with the going concern principle.

It should be noted that accounting estimates and assumptions were used in the preparation of the presented financial statements. Although they are based on information provided to management as of the date of preparation of the financial statements, actual results may differ from the estimates and assumptions made.

4.2. Presentation of the financial statement

The financial statement is presented in accordance with MCC 1 "Presentation of financial statements". The company presents the statement of profit or loss and other comprehensive income in a single statement.

The statement of financial position presents two comparative periods when the Company applies accounting policy retrospectively, retrospectively recalculates positions in the financial statement; or reclassifies items in the financial statement and this has a material effect on the information in the statement of financial position as of the beginning of the previous period.

4.3. Transactions in foreign currency

The individual elements of the Company's financial statements are valued in the currency of the main economic environment in which the company operates ("functional currency"). The Company's financial statements are prepared in Bulgarian leva (BGN). It is the Company's functional and presentation currency .
Transactions in foreign currency are reported upon their initial recognition in the Company's reporting currency at the official exchange rate for the day of the transaction (announced fixing of the Bulgarian National Bank). Foreign exchange gains and losses arising from the settlement of these transactions and the revaluation of foreign currency cash positions at the end of the period are reflected in the Statement of Profit or Loss and other comprehensive income.

The currency board in Bulgaria was introduced on July 1, 1997 in fulfillment of the recommendations of the International Monetary Fund (IMF) and initially the value of the Bulgarian lev was fixed to the value of the German mark in a ratio of 1:1. After the introduction of the euro, the Bulgarian lev was pegged to the euro at a ratio of 1 EUR = 1.95583 BGN.

4.4. Income

The main revenues that the Company generates are related to the provision of services for managing the activities of collective investment schemes and services for managing individual client portfolios.

To determine whether and how to recognize revenue, the Company uses the following 5 steps:

1 Identification of the contract with a customer
2 Identification of performance obligations
3 Determination of the transaction price
4 Allocation of transaction price to performance obligations
5 Revenue recognition when performance obligations are satisfied.

Revenue is recognized either at a point in time or over time when or until the Company satisfies performance obligations by transferring the promised goods or services to its customers.

The company recognizes as contractual obligations remuneration received in respect of unsatisfied performance obligations and presents them as other obligations in the statement of financial position. Similarly, if the Company satisfies a performance obligation before receiving the consideration, it recognizes in the statement of financial position either a contract asset or a receivable, depending on whether something other than a specified time is required to receive the consideration.

4.4.1. Revenues that are recognized over time

Provide services

The services provided by the Company include the following services and their respective component performance obligations:

- A service for managing the activity of collective investment schemes, which consists of one performance obligations; and
- A service for managing the activity of alternative investment funds, which consists of one performance obligation

Revenue from services is recognized when control over the benefits of the services provided is transferred to the user of the services. Revenue is recognized over time based on the fulfillment of individual performance obligations.

When recognizing revenue from services rendered, the company applies a production-based method of measuring progress.

4.4.2. Interest income

Interest income is related to interest on granted time deposits and interest on current accounts and interest on debt securities. They are currently reported using the effective interest method, in accordance with the requirements of IFRS 9 "Financial Instruments".

Dividend income is recognized when the right to receive payment arises.

4.5. Operative expenses

Operating costs are recognized in profit or loss when the services are used or on the date they are incurred.

The Company recognizes two types of costs related to the performance of contracts for the supply of services with customers: costs of concluding/accomplishing the contract and costs of performing the contract. When the costs do not meet the conditions for deferral according to the requirements of IFRS 15, they are recognized as current at the time of their occurrence, for example, they are not expected to be reimbursed or their deferral period is up to one year.

The following operating expenses are always reflected as a current expense at the time of their occurrence:

- Material costs;
- Costs for external services;
- Depreciation expenses;
- Remuneration and insurance costs

4.6. Interest expenses

Interest expense is recognized on an ongoing basis using the effective interest method.

4.7. Machinery, plant and equipment

Machinery, plant and equipment are initially valued at cost, which includes the cost of acquisition, as well as all direct costs of bringing the asset into working order.

Subsequent evaluation is done based on the recommended approach, i.e. acquisition cost less accumulated depreciation and impairment losses. Impairments incurred are accounted for as an expense and are recognized in the Statement of Profit or Loss and other comprehensive income for the relevant period.

Subsequent costs related to a specific fixed tangible asset are added to the asset's carrying amount when it is likely that the company will have economic benefits exceeding the initially estimated effectiveness of the existing asset.

All other subsequent costs are recognized as an expense in the period in which they are incurred.

The residual value and useful life of plant and equipment are assessed by management at each reporting date.

Property, plant and equipment acquired under finance leases are depreciated based on the expected useful life, determined by comparison with similar assets or based on the value of the lease contract, if its term is shorter.

Depreciation of property, plant and equipment is charged using the straight-line method over the estimated useful lives of individual groups of assets as follows:

- Vehicles 4 years
- Business inventory 6.7 years
- Computers 2 years
- Another 7 years

The selected materiality threshold for the tangible fixed assets of the Company is BGN 700.

4.8. Reporting of leases

At the beginning of the contract, the Company assesses whether the contract constitutes or contains elements of a lease. A contract constitutes or contains elements of a lease if the contract transfers for consideration the right to control the use of an asset for a specified period of time.

At the lessee

At the inception date, the lessee recognizes the right-of-use asset and the lease liability. The lessee values the right-of-use asset at the acquisition price, which includes the initial value of the liability (obligation) under the lease agreement; payments on or before the commencement date of the lease; initial direct costs incurred by the lessee (eg commissions); leasing incentives (they are deductible); estimated costs of dismantling or moving the fixed asset, recorded as a provision .
The lessee measures the lease liability at the present value of the lease payments that are outstanding at that date. Lease payments are discounted at the interest rate embedded in the lease agreement, if that rate can be directly determined. If this rate cannot be readily determined, the lessee shall use the lessee's differential interest rate. After the commencement date, the lessee values the right-of-use asset using a cost model, and the lease liability is increased by accrued interest and decreased by installment payments (interest and principal), as well as recalculated due to: changes in guaranteed residual value ; changes in future lease payments due to a change in an applied index or % used to calculate lease payments; changes in the term of the lease; changes in the valuation of the option to acquire the asset.

With the lessor

The lessor classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership of the underlying asset and as an operating lease if it does not transfer substantially all the risks and rewards of ownership of the underlying asset active

Financial leasing
At the inception date, the lessor recognizes the assets held under a finance lease in its statement of financial position and presents them as a receivable, the amount of which is equal to the net investment in the lease.

Leasing
The lessor recognizes lease payments under operating leases as revenue on a straight-line basis or on another systematic basis. A lessor applies a different systematic basis when that basis more accurately reflects the manner in which the utility of the underlying asset is reduced.

4.9. Impairment tests of machines, facilities and equipment

When calculating the impairment, the Company defines the smallest distinguishable group of assets for which separate cash flows can be determined - a cash flow generating unit. As a result, some of the assets are subject to an impairment test on an individual basis and others on a cash-generating unit basis.

All assets and cash-generating units are tested for impairment when events or changes in circumstances indicate that their carrying amount may not be recoverable.

When the recoverable amount of an asset or cash-generating unit is lower than the corresponding book value, the latter should be reduced to the amount of the recoverable amount of the asset. This reduction represents an impairment loss. To determine the recoverable amount, the Company's management calculates the expected future cash flows for each cash-generating unit and determines the appropriate discount factor to calculate the present value of those cash flows. The data used in the impairment testing are directly related to the Company's most recently approved estimated budget, adjusted as necessary to exclude the impact of future reorganizations and significant asset improvements. Discount factors are determined separately for each cash-generating unit and reflect the risk profile assessed by the Company's management.

Impairment losses of a cash-generating unit are allocated to reduce the carrying amount of the assets of that unit in proportion to their carrying amount. The Company's management subsequently assesses whether there are indications that the impairment loss recognized in prior years may no longer exist or may have been reduced. An impairment loss recognized in a prior period is reversed if the recoverable amount of the cash-generating unit exceeds its carrying amount.

4.10. Financial instruments according to IFRS 9

4.10.1. Acknowledgment and de-registration

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual terms of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or when the financial asset and substantially all risks and rewards are transferred.

Financial liabilities are written off when the obligation specified in the contract is fulfilled, canceled or expired.

4.10.2. Classification and initial valuation of financial assets

Financial assets are initially recognized at fair value adjusted for transaction costs, except for financial assets at fair value through profit or loss and trade receivables that do not contain a significant financial component. The initial measurement of financial assets at fair value through profit or loss is not adjusted for transaction costs, which are reported as current costs. The initial valuation of trade receivables that do not contain a material financial component represents the transaction price according to IFRS 15.

Depending on the method of subsequent reporting, financial assets are classified in one of the following categories:

- debt instruments at amortized cost;
- financial assets at fair value through profit or the loss;
- financial assets at fair value through another comprehensive income with or without reclassification to profit or loss depending on whether they are debt or equity instruments.

The classification of financial assets is determined based on the following two conditions:

- the business model of the Company for the management of financial assets;
- the characteristics of the contractual cash flows of the financial asset.

All income and expenses related to financial assets that are recognized in profit and loss are included in financial expenses, financial income or other financial items with the exception of the impairment of trade receivables, which is presented under the line of other expenses in the income statement or the loss and other comprehensive income.

4.10.3. Next valuation of financial assets

Debt instruments by amortized value

Financial assets are measured at amortized cost if the assets meet the following criteria and are not designated for measurement at fair value through profit and loss:

- the company manages the assets within a business model whose purpose is to hold the financial assets and collect their contractual cash flows;
- according to the contractual terms of the financial asset, cash flows occur on specific dates, which are only payments of principal and interest on the outstanding principal amount.

This category includes non-derivative financial assets such as loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, they are measured at amortized cost using the effective interest method. Discounting is not performed when its effect is immaterial. The Company classifies cash and cash equivalents / cash, trade and other receivables in this category.

- **Commercial receivables**

The commercial ones receivables are amounts due from customers for sold goods or services performed in the usual course of the economy activity . Usually them everything due for settlement in short term and therefore are classified like current . The commercial ones receivables everything admit initially in the amount of the unconditional remuneration , except if contain significant financing components . The company hold the commercial ones receivables with purpose collection of the contract monetary flows and therefore them valued at amortized value , as uses the method of effective interest . Discounting no everything performs when its effect is insignificant .

Financial assets at fair value value through the profit or the loss

Financial assets for which a "held to collect contractual cash flows" business model or a "held to collect and sell" business model do not apply, as well as financial assets whose contractual cash flows are not solely payments of principal and interest are reported at fair value through profit or loss. All derivative financial instruments are reported in this category except those that are designated and effective as hedging instruments and to which the hedge accounting requirements apply (see below).

Changes in the fair value of assets in this category are reflected in profit and loss. The fair value of financial assets in this category is determined by quoted prices in an active market or by using valuation techniques in the absence of an active market.

Financial assets at fair value through other comprehensive income

The Company reports financial assets at fair value in other comprehensive income if the assets meet the following conditions:

- The Company manages the assets within a business model whose objective is to hold the financial assets in order to collect contractual cash flows and sell them; and
- According to the contractual terms of the financial asset, cash flows occur on specific dates, which are only payments of principal and interest on the outstanding principal amount.

Financial assets at fair value through other comprehensive income include:

- Equity securities not held for trading that the company irrevocably elected on initial recognition to recognize in this category. These are strategic investments and the group considers this classification more relevant.
- Debt securities where the contractual cash flows are principal and interest only, and the purpose of the holding company's business model is achieved both by collecting the contractual cash flows and by selling the financial assets.

On the release of capital instruments from this category, any value recorded in the revaluation reserve of the instruments is reclassified to retained earnings.

On disposal of debt instruments of this category, any value recorded in the instrument revaluation reserve is reclassified to profit or loss for the period.

4.10.4. Impairment of financial assets

The new impairment requirements under IFRS 9 use more forward-looking information to recognize expected credit losses – the "expected credit loss" model replacing the "incurred loss model" presented in IAS 39.

Instruments covered by the new requirements include debt financial assets measured at amortized cost, trade receivables, contract assets recognized and measured under IFRS 15 that are not reported at fair value through profit or loss.

The recognition of credit losses is no longer dependent on the occurrence of a credit loss event. Instead, the Company considers a broader range of information in assessing credit risk and estimating expected credit losses, including past events, current conditions, reasonable and supportive forecasts that affect the expected collectability of the instrument's future cash flows.

In applying this forward-looking approach, a distinction is made between:

- financial instruments whose credit quality has not significantly deteriorated compared to the time of initial recognition or have a low credit risk (Stage 1) and
- financial instruments whose credit quality has deteriorated significantly compared to the time of initial recognition or whose credit risk is not low (Phase 2)
- "Stage 3" covers financial assets that have objective evidence of impairment at the reporting date. None of the Company's financial assets fall into this category.

12-month expected credit losses are recognized for the first category, while expected losses for the entire life of the financial instruments are recognized for the second category. Expected credit losses are defined as the difference between all contractual cash flows that are due to the Company

and the cash flows that it actually expects to receive ("cash shortfall"). This difference is discounted at the original effective interest rate (or the credit-adjusted effective interest rate).

The calculation of expected credit losses is determined on the basis of the probability-weighted estimate of credit losses during the expected term of the financial instruments.

Trade and other receivables, contract assets

The Company uses a simplified approach in accounting for trade and other receivables as well as contract assets and recognizes an impairment loss as expected credit losses over the entire term. They represent the expected shortfall in contractual cash flows, given the possibility of default at any point in the life of the financial instrument. The Company uses its accumulated experience, external indicators and long-term information to calculate expected credit losses by allocating customers by industry and maturity structure of receivables and using a provisioning matrix.

4.10.5. Classification and valuation of financial liabilities

The Company's financial liabilities include commercial and other financial obligations.

Financial liabilities are initially measured at fair value and, where applicable, adjusted for transaction costs, unless the Company has designated a financial liability as measured at fair value through profit and loss.

Financial liabilities are subsequently measured at amortized value using the effective interest method, with the exception of derivatives and financial liabilities that are designated for measurement at fair value through profit or loss (except for derivative financial instruments that are designated and effective as a hedge tool).

All interest costs and, if applicable, changes in the fair value of the instrument that are recognized in profit or loss are included in finance costs or finance income.

4.11. Income taxes

Tax expense recognized in profit or loss includes the amount of deferred and current taxes that are not recognized in other comprehensive income or directly in equity.

Current tax assets and/or liabilities represent those liabilities or receivables from the budget that relate to the current period and that have not been paid at the balance sheet date. They are calculated in accordance with the applicable tax rate and income tax rules for the period to which they relate, based on the taxable financial result for the period. Any changes in tax assets or liabilities are recognized as an element of tax expense in the Statement of Profit or Loss and other comprehensive income.

Deferred taxes are calculated using the passive method for all temporary differences. This includes a comparison between the carrying amounts of assets and liabilities and their respective tax bases. In accordance with the requirements of IAS 12, no deferred taxes are recognized in relation to goodwill, temporary differences related to shares in subsidiaries and jointly controlled entities, if the reversal of these differences can be controlled by the Company and it is probable that the reversal of these differences will not happen in the near future. Existing tax losses are assessed against available recognition criteria in the financial statements before a deferred tax asset is recognised. It is recognized when it is probable that it will be realized through future taxable profits.

Liabilities for deferred temporary differences are recognized in full. Deferred temporary difference assets are recognized only to the extent that it is probable that they will be utilized through future taxable profits.

To determine the amount of deferred tax assets and liabilities, tax rates that are expected to be valid during the period of their realization are applied.

A significant portion of changes in deferred tax assets or liabilities are reflected as a component of tax expense in the Statement of Profit or Loss and other comprehensive income for the period. The change in deferred tax assets or liabilities due to a change in the fair value of assets or liabilities that is reflected directly in equity is reflected directly in equity.

4.12. Cash and cash equivalents

The company reports as cash and cash equivalents available cash, cash on bank accounts, deposits, short-term and highly liquid investments that are easily convertible into a cash equivalent and contain an insignificant risk of change in value.

4.13. Equity and dividend payments

The share capital of the Company reflects the nominal value of the issued shares.

The reserve is formed from the undistributed profit of the Company by decision of the General Meeting of Shareholders.

Retained earnings includes the current financial result and accumulated profits and uncovered losses from previous years.

Liabilities for payment of dividends to shareholders are included in the line "Liabilities to related parties" in the statement of financial position, when the dividends are approved for distribution by the general meeting of shareholders before the end of the reporting period.

All transactions with the Company's owners are presented separately in the statement of changes in equity.

4.14. Pension and other obligations to the staff

The Company has not developed or implemented any employee severance plans or other long-term benefits and plans for post-employment benefits or compensation in the form of shares or equity interests.

The company reports short-term liabilities for compensable leave arising on the basis of unused paid annual leave in cases where the leave is expected to occur within 12 months after the date of the reporting period during which the employees performed the work related to such leave. Short-term personnel liabilities include wages, salaries and social security benefits.

Short-term employee benefits, including accrued vacations, are included in current pension and other liabilities to personnel at an undiscounted value that the Company expects to pay as a result of their non-use .

The Company has adopted and implements a Remuneration Policy that covers all forms of remuneration, such as salaries and other financial and/or material incentives, including benefits related to voluntary pension and/or health insurance.

The management company pays both fixed and variable remunerations, subject to the requirements of the current legislation and the remuneration policy applied by the management company.

4.15. Provisions, contingent assets and contingent liabilities

Provisions representing current obligations of the Company arising from past events, the settlement of which is expected to give rise to the need for an outflow of cash resources, are recognized as liabilities of the Company. Provisions are recognized when the following conditions are met:

- The Company has present obligations as a result of past events;
- it is likely that repayment of the obligation will require a flow of resources to settle the obligation;
- a reliable estimate of the amount of the liability can be made.

The amount recognized as a provision represents the best estimate of the cash outflows from resources required to settle the current liability at the balance sheet date. In determining this best estimate, the Company takes into account the risks and degree of uncertainty surrounding many of the events and circumstances, as well as the effect of changes in the value of cash over time when they have a significant effect.

Indemnities from third parties in connection with a given liability of the Company are recognized as a separate asset. This asset, however, cannot exceed the value of the corresponding provision .

Provisions are reviewed at each balance sheet date and their value is adjusted to reflect the best estimate at the balance sheet date.

In cases where it is considered unlikely that an outflow of resources will occur as a result of a current liability, such liability is not recognized unless it is a business combination.

The Company does not recognize contingent assets because their recognition may result in the recognition of income that may never be realized.

4.16. Significant management judgments in applying accounting policy

Significant judgments made by Management in applying the Company's accounting policies that have the most material impact on the financial statements are described below. The main sources of uncertainty in the use of accounting estimates are described in a note 4.17 .

4.16.1. Leasing

Management estimates the interest rate at which the interest payments are discounted by applying the rate embedded in the lease if that rate is readily determinable or the lessee's differential interest rate if that rate is not readily determinable.

4.16.2. Deferred tax assets

The estimate of the probability of future taxable income against which a deferred tax asset can be used is based on the most current approved budget forecast, adjusted for significant non-taxable income and expenses and specific limitations on unused tax loss or credit carryforwards. If a reliable forecast of taxable income suggests the probable use of a deferred tax asset, especially in cases where the asset can be used within the statutory periods, then the deferred tax asset is recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic restrictions or uncertainties is assessed individually by management based on the specific facts and circumstances.

4.17. Uncertainty of accounting estimates

In preparing the financial statements, management makes a number of assumptions, estimates and assumptions regarding the recognition and valuation of assets, liabilities, income and expenses.

Actual results may differ from management's assumptions, estimates and assumptions and in rare cases will be completely consistent with previously estimated results.

Information about the material assumptions, estimates and assumptions that have the most significant impact on the recognition and measurement of assets, liabilities, income and expenses is presented below.

4.17.1. Impairment of non-financial assets

An impairment loss is recognized as the amount by which the book value of an asset or cash-generating unit exceeds its recoverable amount. To determine the recoverable amount, the Company's management calculates the expected future cash flows for each cash-generating unit and determines the appropriate discount factor in order to calculate the present value of these cash flows (see Note 4.9). In calculating expected future cash flows, management makes assumptions about future gross earnings. These assumptions relate to future events and circumstances. Actual results may differ and require significant adjustments to the Company's assets in the next accounting year.

In most cases, determining the applicable discount factor involves making appropriate adjustments to market risk and to risk factors that are specific to individual assets.

4.17.2. Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at the end of each reporting period. As of December 31, 2022, the management determines the useful life of the assets, which represents the expected period of use of the assets by the Company. The balance sheet values of the assets are analyzed in notes 5. The actual useful life may differ from the estimate due to technical and moral wear and tear, mainly of computer equipment.

4.17.3. Measurement of expected credit losses

Credit losses represent the difference between all contractual cash flows owed to the Company and all cash flows that the Company expects to receive. Expected credit losses are a probability-

weighted estimate of credit losses that require the Company's judgment. Expected credit losses are discounted at the original effective interest rate (or the credit-adjusted effective interest rate for purchased or initially created credit-impaired financial assets).

4.17.4. Fair value of financial instruments

Management uses techniques to estimate the fair value of financial instruments in the absence of quoted prices in an active market. Details of the assumptions used are presented in the notes to financial assets and liabilities. In applying valuation techniques, management uses to the maximum extent market data and assumptions that market participants would adopt in valuing a given financial instrument. When applicable market data is lacking, management uses its best estimate of assumptions that market participants would make. These estimates may differ from the actual prices that would have been determined in a fair market transaction between informed and willing parties at the end of the reporting period.

For financial instruments that, after initial recognition, are reported at fair value in the financial statements, IFRS 7 requires disclosure of the techniques used to determine their fair value. The standard introduces a fair value hierarchy, determined according to the degree of observability of the inputs used to estimate the fair value. Data reflecting market information received from an independent source are defined as observable, while data reflecting the company's market assumptions are defined as unobservable. The two types of data define the following three levels in the hierarchy of fair activities.

5. Machinery, plant and equipment

The balance sheet value of the machinery, plant and equipment presented in the financial statement as of December 31, 2021, is calculated as follows:

	Right-of-use assets 000 BGN	**Computers 000 BGN**	**Furnishings 000 BGN**	**Total 000 BGN**
Reporting value				
Balance as of January 1, 2022.	**325**	**4**	**3**	**332**
Newly acquired assets	127	5	-	132
Written off	(41)	-	-	(41)
Balance as of December 31, 2022	**411**	**9**	**3**	**423**
Amortization				
Balance as of January 1, 2022.	**(106)**	**(4)**	**(3)**	**(113)**
Amortization	(38)	(1)	-	(39)
Depreciation written off	41	-	-	41
Balance as of December 31, 2022	**(104)**	**(5)**	**(3)**	**(112)**
Book value as of December 31, 2022.	**307**	**4**	**-**	**311**

The company has not pledged its available non-current tangible assets as collateral.

The book value of the machinery, plant and equipment presented in the financial statement as of 31 December 2021 is calculated as follows:

	Right-of-use assets 000 BGN	Computers 000 BGN	Furnishings 000 BGN	Total 000 BGN
Reporting value				
Balance as of January 1, 2021	325	4	3	332
Newly acquired assets	-	-	-	-
Written off	-	-	-	-
Balance as of December 31, 2021	**325**	**4**	**3**	**332**
Amortization				
Balance as of January 1, 2021	(59)	(4)	(3)	(66)
Amortization	(47)	-	-	(47)
Depreciation written off	-	-	-	-
Balance as of December 31, 2021	**(106)**	**(4)**	**(3)**	**(113)**
Balance sheet value as of December 31, 2021.	**219**	**-**	**-**	**219**

The company has not pledged its available non-current tangible assets as collateral.

All depreciation expenses are included in the statement of profit or loss and other comprehensive income under the line "Depreciation expenses of non-financial assets".

The company has no contractual obligation to purchase assets, which should be repaid in 2022. As of December 31, 2022 or 2021, there were no material contractual obligations in connection with the purchase of property, plant and equipment.

6. Financial assets at fair value through profit and loss

	2022 000 BGN	2021 000 BGN
Financial assets at fair value through profit or loss		
Investments in CIS units	147	-
Stock investments	1 237	656
Investments in bonds	68	1 052
	1 452	**1 708**

There are no blocked investments during the reporting periods.

According to the Company's valuation model, financial assets accounted for at fair value in profit or loss are categorized as follows:

In thousands of BGN, as of 31.12.2022	Fair value determined by quotations from active markets	Fair value – determined using other observable market inputs	Net asset value as an approximation of fair value	Total
Bulgarian shares	787	39	411	1 237
Shares of KIS	-	147	-	147
Bulgarian corporate bonds	-	68	-	68
Total	**787**	**254**	**411**	**1 452**
Division	**54.20%**	**17.49%**	**28.31%**	**100%**

For determining the fair value as of 31.12.2022 of shares from issues Biovet AD and Central Depository AD used the Net asset value.

For determining the fair value as of 31.12.2022 of bonds issued by Auto Union AD, GPS Control EAD and Starcom Holding AD used an evaluation technique - the discounted method monetary flows , with a discount rate formed by using the yield on bonds or government securities selected by the investment consultant with reporting of relevant risk premium.

7. Fair value measurement of financial instruments

The company holds in its portfolio financial assets reported at fair value in profit or loss, which are reported at fair value through profit or loss, according to the adopted accounting policy.

As of 31 December 2022, the carrying amount of financial assets at fair value through profit or loss (detailed in note 8 of the financial statement) in the amount of BGN 1,452 thousand (2021: BGN 1,708 thousand) is their fair value.

The following table presents the financial assets and liabilities reported at fair value in the statement of financial position in accordance with the fair value hierarchy.

This hierarchy groups financial assets and liabilities into three levels based on the significance of the inputs used in determining the fair value of the financial assets and liabilities. The fair value hierarchy includes the following levels:

- Level 1: market prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than market prices included in Level 1 that are observable in relation to an asset or liability, either directly (ie as prices) or indirectly (ie based on prices); and
- Level 3: inputs about an asset or liability that are not based on observable market data.

A financial asset or liability is classified at the lowest level of significant input used to determine its fair value.

The following table analyzes in the fair value hierarchy the Company's assets and liabilities measured at fair value as of December 31, 2022:

	Level 1 000 BGN	Level 2 000 BGN	Level 3 000 BGN	Total 000 BGN
Groups of financial assets at fair value through profit or loss				
Bulgarian shares	787	39	411	1 237
Bulgarian corporate bonds	-	68	-	68
Units of CIS	-	147	-	147
Total	**787**	**254**	**411**	**1 452**

The following table analyzes in the fair value hierarchy the Company's assets and liabilities measured at fair value as of December 31, 2021:

	Level 1 000 BGN	Level 2 000 BGN	Level 3 000 BGN	Total 000 BGN
Groups of financial assets at fair value through profit or loss				
Bulgarian shares	329	-	327	656
Bulgarian corporate bonds	149	-	511	660
Foreign corporate bonds	-	-	392	392
Total	**478**	**-**	**1,230**	**1 708**

Determination of fair value

The fair value of financial assets traded in active markets (such as publicly traded securities) is based on market quotations as of the last trading date for the year. A financial asset is considered to be traded in an active market if market quotes are available from exchanges, dealers, brokers, etc., these prices are represented as real and regularly executed market transactions.

Level 3 fair value determination

For the Company's financial assets and liabilities classified at level 3, the fair value of the financial assets is determined using valuation techniques. The company uses different valuation methods and assumptions based on market conditions existing at the end of the year (see note 4.10)

The following table presents the techniques used in estimating level 3 fair values and the significant unobservable inputs used:

Type of financial instrument	Fair value as of 31.12.2022. ('000 BGN)	Evaluation technique	Significant unobservable inputs	Relationship between key unobservables and fair value
Bulgarian shares	411	Net worth of assets	-	-

8. Other receivables

	2022 000 BGN	2021 000 BGN
Trade and other receivables (gross amount before impairment)	32	2
Receivables for accrued dividends, interest and maturing issues (gross amount before impairment)	8	6
Expected credit losses and impairment losses	(6)	(6)
Total:	**34**	**2**

All receivables are short-term. The net book value of other receivables is assumed to be a reasonable approximation of their fair value.

All other receivables of the Company are reviewed for indications of impairment. Certain trade receivables have been impaired on an individual basis and the corresponding impairment has been recognized in the statement of profit or loss and other comprehensive income under the line 'Other expenses'. Impaired receivables were mainly due from maturing interest and principal receivables on bonds that were experiencing financial difficulties.

The change in the impairment of trade receivables can be presented as follows:

	2022 BGN thousand	2021 BGN thousand
Balance as of January 1, recalculated	6	6
Reversal of impairment loss	-	-
Balance as of December 31	**6**	**6**

9. Cash and cash equivalents

Cash and cash equivalents include the following components:

	2022 000 BGN	2021 000 BGN
Cash on current accounts	344	283
Total	**344**	**283**

The company has no blocked cash as of December 31, 2022.

The Company has assessed expected credit losses on cash and cash equivalents. The assessed value is less than 0.1% of the gross value of cash deposited in financial institutions, therefore it is defined as insignificant and has not been charged in the Company's financial statements.

10. Equity

10.1. Share capital

The registered capital of the Company consists of 400,000 ordinary shares with a nominal value of BGN 1 per share. All shares have the right to receive a dividend and a liquidation share and represent one vote from the General Meeting of the Company's shareholders.

	2022 Number shares	2021 Number shares
Issued and fully paid shares:		
- in the beginning of the year	400,000	400,000
Shares issued and fully paid as of December 31	**400,000**	**400,000**

The list of the main ones shareholders of the Company is presented as follows :

	2022 Number of shares	2022 %	2021 Number of shares	2021 %
Euro-Finance AD	79,840	19.96	79,840	19.96
BONDS ADVISORS	39,800	9.95	39,800	9.95
ITALTECH SERVICE-BULGARIA LTD	39,800	9.95	39,800	9.95
LOUDSPEAKERS-SI EOOD	39,800	9.95	39,800	9.95
EUROAUTOSERVICE LTD	39,920	9.98	39,920	9.98
ACM CONSULT EOOD	39,800	9.95	39,800	9.95
SMART IT SOLUTIONS LTD	39,800	9.95	39,800	9.95
PRO INS LTD	39,920	9.98	39,920	9.98
ZVETELINA KONSTANTINOVA KOSTADINOVA	1,520	0.38	1,520	0.38
SYNTHETIC AD	39,800	9.95	39,800	9.95
Total	**400,000**	**100**	**400,000**	**100**

10.2. Reservations

The Company's reserves are formed from the undistributed profit from previous years by decision of the General Meeting of Shareholders. As of 31.12.2022 , the amount of reserves is BGN 40 thousand.

10.3. Dividends

In 2022, the Company distributed dividends in the amount of BGN 1,244,874.98, according to the decision of the General Meeting of Shareholders dated 06/28/2022.

11. Leasing

11.1. Leasing contracts as a lessee

The company also reports an office lease contract with a period of 10 years. In accordance with IFRS 16, a right-of-use asset with a net book value of BGN 184 thousand (2021: BGN 207 thousand) has been recognized (see note 5).

The company also reports a contract for renting a car for a period of 5 years. In accordance with IFRS 16, a right-of-use asset with a net book value of BGN 123 thousand (2022: BGN 12 thousand) has been recognized (see note 5).

Future minimum lease payments at the end of each of the reporting periods presented are presented as follows:

31 December 2022	**Short term**	**Long term**		**Total**
	Up to 1 year	**From 1 to 5 years**	**Over 5 years**	
	000 BGN	**000 BGN**		**000 BGN**
Lease payments	60	273	14	347
Discounting	(9)	(21)	-	(30)
Net present value	**51**	**252**	**14**	**318**

31 December 2021	**Short term**	**Long term**		**Total**
	Up to 1 year	**From 1 to 5 years**	**Over 5 years**	
	000 BGN	**000 BGN**		**000 BGN**
Lease payments	42	167	47	256
Discounting	(7)	(20)	(1)	(28)
Net present value	**35**	**147**	**46**	**228**

12. Tax obligations

	2022	**2021**
	000 BGN	**000 BGN**
Tax on expenses under Corporate Income Tax Law	1	1
Income tax	26	40
Total	**27**	**41**

13. Staff remuneration

13.1. Staff costs

Staff remuneration costs include:

	2022 000 BGN	2021 000 BGN
Wage cost	(211)	(157)
Social security costs	(25)	(19)
Total	**(236)**	**(176)**

14. Service income

	2022 000 BGN	2021 000 BGN
Income from the management of CIS and AIF	1 756	1 376
	1 756	**1 376**

15. Material costs

	2022 000 BGN	2021 000 BGN
Stationery	(1)	(1)
Promotional materials	(4)	-
Car expenses	(6)	(5)
Assets below materiality threshold	(2)	-
Total	**(1 3)**	**(6)**

16. Costs for external services

	2022 000 BGN	2021 000 BGN
Independent financial audit	(2)	(1)
Fees to the Central Depository AD	(3)	(3)
Fees to Regulatory Authorities	(12)	(9)
IT systems	(40)	(9)
Rentals, maintenance and telephony	(23)	(20)
Others	(39)	(31)
Total	**(119)**	**(73)**

17. Other expenses

	2022 000 BGN	2021 000 BGN
Social costs	(3)	(3)
Employee insurance	(1)	(1)
Other expenses	(69)	(21)
Total	**(70)**	**(25)**

18. Net gain/(loss) on financial assets at fair value through profit or loss

	2022 000 BGN	2021 000 BGN
Gain from a change in the fair value of financial assets at fair value through profit or loss	129	352
Loss from change in fair value of financial assets at fair value through profit or loss	(179)	(31)
Total	**(50)**	**321**

19. Financial income and expenses

Financial expenses for the presented accounting periods can be analyzed as follows:

	2022 000 BGN	2021 000 BGN
Bank charges and commissions	(2)	(1)
Interest expense on leases	(7)	(8)
Other financial costs	(2)	(4)
Financial costs	**(11)**	**(13)**

Financial income for the presented accounting periods can be analyzed as follows:

	2022 000 BGN	2021 000 BGN
Interest income	28	27
Dividend income	2	1
Financial income	**30**	**28**

20. Tax expenses

The estimated tax expense based on the effective tax rate of 10% and the actual tax expense recognized in the Statement of Profit or Loss and other comprehensive income can be reconciled as follows:

	2022 000 BGN	2021 000 BGN
Profit for the period before tax	1 248	1 385
Tax rate	10%	10%
Estimated tax expense	**(125)**	**(139)**
Reductions according to tax return	5	5
Increases according to tax return	(6)	(6)
Current tax expense	**(126)**	**(140)**
Actual tax expense	**(126)**	**(140)**

21. Related party transactions

The main related parties with which EF Asset Management AD carries out its activities are the two mutual funds MF "EF Rapid" and ETF "EF Principal" ETF organized and managed by the Company and one national mutual fund - NMF EF Potential.

Unless expressly stated, related party transactions are not made on special terms and no guarantees are given or received.

21.1. Related party transactions

	2022 000 BGN	2021 000 BGN
Revenue from provision of services		
- Income from management of EF Principal ETF	873	851
- Income from management of MF EF Rapid	556	518
- Income from management of NMF EF Potential	327	7
Total:	**1 756**	**1 376**

21.2. Transactions with key management personnel

Remuneration of key management personnel includes the following expenses:

	2022 000 BGN	2021 000 BGN
Short term rewards		
- fees under management and control contracts	115	84
	115	**84**

21.3. Balance at the end of the year

	2022 000 BGN	2021 000 BGN
Receivables from:		
Exchange traded fund "EF - Principal" ETF	73	84
Mutual fund "EF - Rapid"	50	52
National mutual fund EF Potential	38	2
Total receivables from related parties	**161**	**138**

22. Management's objectives and policy regarding risk management

In 2022, in the management of the collective investment schemes and the national contract fund, the Management Company enters into transactions seeking, in the current market conditions, to take the most reasonable actions possible to preserve the value of the investments.

Leading for the Management Company in the management of CIS and AIF are compliance with investment restrictions, control over liquidity, analysis of the market situation to find the best opportunities for sale and purchase of financial instruments. The accumulated professional experience during the last years of active development in Bulgaria on the market of collective investment

schemes, enables the team of EF ASSET MANAGEMENT AD to create an appropriate internal organization of the work in order to ensure the preservation of the investors' interests and the avoidance of conflicts of interest, the observance of the ban on insider trading, the effective distribution of functions and responsibilities of the various departments, control and timely provision of information.

As a result of its main activity, the Company is exposed to financial risks, which can be divided into the following three main categories - market risks, credit risks and operational risks. In addition to these three main risk categories, the Company is also exposed to some combined risk factors, realized in liquidity risk, regulatory risk, reputational risk, business risk and others.

Daily risk management activities in the Company are carried out by the "Risk Management" department, for which the department reports directly to the Board of Directors. Management's priority is to reduce the Company's risk exposure, incl. by providing the short- and medium-term cash flows necessary to cover emerging liabilities.

The most significant financial risks to which the Company is exposed are discussed in detail below.

Market risk

Market risk is the probability of losses in the management of funds under the influence of unfavorable changes in the prices of financial instruments, market interest rates, prevailing exchange rates, which is determined by two main categories of risk factors:

- Systemic (general market) risk affecting the value of all financial instruments on the market. Systemic risk arises from the characteristics of the macroeconomic environment and the state of the capital market in the country, acts outside the company and, in principle, cannot be diversified. The main methods for limiting the systemic risk and its individual components are the collection and processing of information about the macroeconomic environment, and on this basis, forecasting and matching the investment policy with the expected dynamics of this environment;
- Specific (company) risk that arises from the specific characteristics of a financial instrument or the company that issued it. The company neutralizes the specific market risk of its own investments and individual investments of CIS by means of diversification of financial instruments.

The main varieties of market risk - currency, interest rate and price - are discussed below.

Currency risk

Currency risk is the risk arising from changes in the prevailing market levels of exchange rates, which can be realized through a decrease/increase in the value of assets/liabilities denominated in a foreign currency and/or a decrease/increase in income/expenses related to financial instruments or transactions denominated in a foreign currency.

The management company is exposed to currency risk when making payments in foreign currency. When they are carried out, income and expenses arise from foreign exchange operations, which are reported in the income statement. The main part of the currency exposures is formed by the monetary assets and liabilities of the Management Company , denominated in a currency other than leva and euro.

The management company manages the currency risk by limiting its open position in currencies other than leva and euro. Due to the nature of the cash flows, namely payments to CIS customers, income and expenses from foreign exchange operations and revaluations are not relevant.

Interest rate risk

Interest rate risk is the risk arising from changes in the prevailing market levels of interest rates, which has two main varieties:

- risk of changes in the market price of interest-bearing financial instruments (including derivatives based on interest rates) in connection with changes in market interest rates;
- risk of reduction/increase in interest payments on interest-bearing assets/liabilities in connection with changes in market interest rates;

The activity of the Management Company is subject to the risk of fluctuations in interest rates, only to the extent that during the reporting period the Management Company concludes contracts for deposits with various banks, the interest income from which is exposed to the risk of a decrease in interest rates. During the reporting period, the Company has no interest-bearing liabilities that could lead to exposure to the risk of an increase in interest payments.

The following table shows information on the nominal interest rates of the Company's assets:

31 December 2022	**Interest %**	**Interest-bearing**	**Interest free**	**Total**
		000 BGN	**000 BGN**	**000 BGN**
Cash in cash and bank	from 0.05% to 0.30%	344	-	344
Corporate bonds	of 4 % up to 4.5 %	68	-	68
Shares	-	-	1 237	1 237
Units of CIS	-		147	147
Receivables	-	-	195	195
Total assets		**412**	**1 579**	**1 991**

Price risk

Price risk is the risk arising from changes in the prevailing market prices of tradable financial instruments (shares, exchange-traded goods, strategic raw materials, energy carriers, etc.).

During the period, the Management Company has no assets or liabilities leading to the assumption of price risk related to tradable financial instruments.

The main income of the Company is related to the size of the managed assets (the net value of the assets of the managed funds on which the management fee is charged) and the interest of the investors in the managed contract funds, given the collected fee for issuing and redeeming units.

Both sources of income are mainly related to the state of public companies traded on the Bulgarian Stock Exchange AD (BSE). The increase/decrease in BSE prices of the shares that the funds managed by the Company own would lead to the corresponding increase/decrease in management income. This increase/decrease also affects investors' interest in the funds, as an increase in prices

would result in a higher return for investors, and a decrease in prices would result in a lower return or loss for investors.

Credit risk

Credit risk is the probability that losses will be realized due to a decrease in the value of a given financial instrument in the event of adverse credit events (including settlement risk in case of default by the counterparty) related to the issuer of the financial instrument or the counterparty to the transaction, as well as the countries or the jurisdictions where they are based or operate. Credit risk has two main varieties:

- Position risk – the possible loss resulting from a change in the price of a given financial instrument as a result of factors related to the creditworthiness of the issuer or in the case of a derivative instrument linked to the issuer of the underlying instrument;
- Settlement risk – the possible loss resulting from the inability or unwillingness of a counterparty to a transaction with financial instruments to fulfill its obligations accurately and on time;

During the period, the Management Company maintains receivables only against first-class counterparties (deposits with banks), which reduces position risk and settlement risk to a negligible low level.

The Company's exposure to credit risk is limited to the amount of the book value of the financial assets recognized at the date of the financial statements, as indicated below:

	2022 BGN thousand	**2021 BGN thousand**
Groups of financial assets - balance sheet values:		
Debt instruments at amortized cost		
Other receivables	34	2
Receivables from related parties	161	138
Cash and cash equivalents	344	283
Financial assets at fair value through profit and loss	1 452	1 708
Book value	**1 991**	**2 131**

The main revenues that the Company realizes are from the organization and management of KIS - DF "EF Rapid" and BTF "EF Principal" ETF and A IF - NDF "EF Potential". Due to the availability of the right to manage the said Funds, the Company is not exposed to the credit risk of non-payment of obligations by the funds to the Company.

The management of the Company considers that all the above-mentioned financial assets, which have not been impaired during the presented reporting periods, are financial assets with a high credit rating, including those that have reached maturity.

The following tables present an analysis of the maturity structure according to the remaining maturity of the financial assets:

as of 31.12.2022	up to 3 months	from 3 months to 1 year	from 1 to 5 years	No matriculation	Total
	BGN thousand		BGN thousand	BGN thousand	BGN thousand
Cash and cash equivalents	-	-	-	344	344
Receivables	4	4	26	-	34
Receivables from related parties	161	-	-	-	161
Shares	-	-	-	1 237	1 237
Units of CIS	-	-	-	147	147
Bonds	-	-	68	-	68
Total assets	**165**	**4**	**94**	**1 728**	**1 991**

Liquidity risk

Liquidity risk there are two main varieties:

- Funding risk, which arises in connection with the provision of financial means to meet financial obligations when they become due. The risk of financing has two dimensions: risk that the Management Company will not be able to meet the obligations to the Clients of CIS and AIF and risk that the Management Company will not be able to meet obligations related to its own activities;
- Risk related to the market liquidity of financial instruments, which arises when a given transaction cannot be carried out at the prevailing market prices of financial instruments, or its execution is possible only under unfavorable financial conditions, due to the significant size of the position compared to usual trading;

The management company applies procedures for managing the liquidity risk of each collective investment scheme, in order to ensure compliance with the requirements under Art. 21 CISOUCIA.

Unsystematic risks

Mutual funds operate in a highly regulated environment, which is a prerequisite for reducing the risks of operations. The main regulator is the Financial Supervision Commission. Additional control is carried out by the depository bank.

Measures to reduce the impact of the financial crisis

In connection with the highly variable conjuncture of financial markets worldwide , in addition to the procedures expressly provided for in the Rules for managing the risk of mutual funds , EF Asset Management undertakes additional measures in connection with the management of liquidity and credit risks, namely:

- Continuous control and timely provision of information to the "Asset Management" department and the representatives of the Company on the number and amount of submitted orders for issuing and repurchasing shares for the next working day;
- Continuous monitoring of price movements of financial instruments from fund portfolios during exchange sessions;
- Checking and notifying the representatives - about the availability of liquid assets and their relative share in the total amount of the funds' assets.

As of December 31, 2022, the maturities of the Company's obligations are summarized as follows:

December 31, 2022	Short term	Long term		Total
	Up to 1 year	From 1 to 5 years	Over 5 years	
	000 BGN	000 BGN	000 BGN	000 BGN
Obligations under leasing contracts	51	252	14	317
Other duties	29	-	-	29
	80	**252**	**14**	**346**

As of December 31, 2021, the maturities of the Company's obligations are summarized as follows:

December 31, 2021	Short term	Long term		Total
	Up to 1 year	From 1 to 5 years	Over 5 years	
	000 BGN	000 BGN	000 BGN	000 BGN
Obligations under leasing contracts	35	147	46	228
Other duties	43	-	-	43
	78	**147**	**46**	**271**

Operational risk

Operational risk is the probability that losses will be realized due to inappropriate or inadequate internal rules and/or procedures, personnel and/or information systems errors, malicious actions, adverse external events and others.
Operational risks are related to four main risk factors:

- Personnel – possible losses related to errors, fraud and the like, lack of relevant qualifications or loss of key employees, etc.;
- Processes – possible losses due to transactions, accounting errors, unfavorable contracts, inaccurate financial statements or valuations, etc.;
- Systems – possible losses from a breakdown of information systems or communication channels, program errors, incorrect data, security breaches, lack of operating capacity, etc. ;
- External risks – possible losses due to natural disasters, court orders, non-performance by suppliers, theft, robbery, etc. illegal actions by outsiders, political, regulatory, tax and other factors.

The management company manages operational risk with the help of a system of internal control of processes, levels of access to systems and transaction limits of personnel.

22.1. Categories of financial assets

The balance sheet values of the Company 's financial assets can be presented in the following categories:

Financial actives	Explanation	2022 BGN thousand	2021 BGN thousand
Debt instruments at amortized cost:			
Receivables from related parties	20.3	161	138
Other receivables	8	34	2
Cash and cash equivalents	9	344	283
		539	**423**
Financial assets at fair value through profit and loss:	6		
Bonds		68	1 052
Units of CIS		147	-
Capital instruments		1 237	656
		1 452	**1 708**

Financial liabilities	Explanation	2022 BGN thousand	2021 BGN thousand
Financial liabilities reported at amortized cost:			
Obligations under leasing contracts	11.1	317	228
Other duties		29	43
		346	**271**

See Note 4.10 for information on the accounting policy for each category of financial instruments. The methods used to estimate fair values are described in note 7. A description of the Company's risk management policy and objectives regarding financial instruments is presented in note 21.

23. Capital Management Policy and Procedures

The objectives of the Company in relation to capital management are:
- the Company 's ability to continue to exist as a going concern; and
- to ensure adequate profitability for shareholders.

The Company's activity is subject to control by the Financial Supervision Commission, and the management company constantly monitors and complies with the specific requirements regarding its own capital, according to the regulations.

During the reporting period, the company monitors its capital adequacy and liquidity in accordance with the requirements laid down in Ordinance No. 50 of 19.06.2015 on the capital adequacy, liquidity of investment intermediaries and the implementation of supervision for their compliance, and from 20.10.2011 according to Ordinance No. 44 on the requirements for the activity of collective investment schemes, management companies, national investment funds, alternative investment funds and persons , managing alternative investment funds (Ordinance No. 44).

In accordance with the regulatory requirements, the Company maintains equity greater than the minimum required of 125 thousand euros and greater than a quarter of its fixed total expenses for the previous year.

24. Events after the end of the reporting period

No adjusting events or significant non-adjusting events occurred between the balance sheet date and date.

25. Approval of the financial statement

The financial statement as of December 31, 2022 (including comparative information) was approved and adopted by the Board of Directors on March 28, 2023.