

**ANNUAL REPORT  
OF  
THE AUDIT COMMITTEE OF  
INTERCAPITAL PROPERTY DEVELOPMENT  
REIT for 2023 .**

**April 8 , 2024**

## **I. General information**

In relation to the requirements of Law a for the independent financial audit general meeting of the shareholders of INTERCAPITAL PROPERTY DEVELOPMENT REIT has elected an Audit Committee consisting of: Iva Chavdarova Chorapinova, Zhivka Dimitrova Stankova - Nikolova and Tsvetelina Chavdarova Hristova. By decision of the general meeting of shareholders dated 28.06.2021, the members of the audit committee were re-elected for a new three-year term, starting from the date of the general meeting.

The general meeting of shareholders adopted the rules (statute) of the audit committee in accordance with the requirement of Art. 107, para. 7 of the new ZNFO.

## **II. Activity of the Audit Committee in 2023**

Given the requirements of the current legislation and in view of the activities of the Audit Committee of "INTERKAPITAL PROPERTY DEVELOPMENT" REIT in 2023, the following summary can be made regarding the financial reporting, the internal control and risk management systems and the independent financial audit in the enterprise:

### **1. Monitoring of financial reporting processes in the enterprise**

And in 2023 , the Company complied with adequate financial reporting in accordance with International Financial Reporting Standards (IFRS), prepared by the International Accounting Standards Board and adopted by the Commission of the European Union. The Company's financial statements are prepared on the basis of the going concern principle and the historical cost principle. The preparation of the financial statements in accordance with IFRS required the use of accounting estimates. It was also necessary for management to use its own judgment in applying the Company's accounting policies. The elements of the financial statements, the presentation of which involves a higher degree of judgment or complexity, as well as those elements for which assumptions and estimates have a significant impact on the financial statements, relate primarily to the recognition of service revenue and the measurement of the stage of completion of the service as of the date of drawing up the relevant balance sheet.

### **2. Monitoring the effectiveness of internal control systems in the enterprise**

The internal control system complies with the standards set by the Company's Board of Directors. The effectiveness of the internal control system allowed the timely preparation and sending of reliable quarterly financial reports of INTERCAPITAL PROPERTY DEVELOPMENT REIT to the Financial Supervisory Service, BSE AD, the Alternative Trading System NewConnect in Poland, Central Depository AD and the public. Financial analyzes and financial control of the current accounting reporting in the enterprise were periodically carried out, and the relevant reports were brought to the attention of the Board of Directors before the end of the next calendar month of the year. In addition, the Audit Committee confirms that, even in 2023, the Company's financial reporting system is adequate and presents the financial status of "INTERKAPITAL PROPERTY DEVELOPMENT" REIT, as well as that the Company's internal control system enables effective management of the financial resources of The company.

### **3. Monitoring the effectiveness of risk management systems in the enterprise**

In 2023, the goal of the management body of "INTERCAPITAL PROPERTY DEVELOPMENT" REIT was to implement effective risk control by implementing a system for their early forecasting, identification and control. In this regard, and in compliance with the legal requirements, the assessment and management of the risks related to the activity of "INTERKAPITAL PROPERTY DEVELOPMENT " REIT was assigned to the service company.

Due to the specificity of the Company's activity, in 2023 "INTERKAPITAL PROPERTY DEVELOPMENT " REIT was exposed to the following risks arising from the use of financial instruments:

a) credit risk; b) liquidity risk; (c) market risk.

A detailed description of the risks to the Company's activity are presented in the Annual Report of the Board of Directors on the activity in 2023 .

### **4. Monitoring of the independent financial audit in the enterprise**

In accordance with the requirements of the Law on Accounting and the requirements of the Law on the Independent Financial Audit to the independent financial audit of enterprises performing activities of public interest, at the regularly held annual General Meeting of Shareholders of "INTERCAPITAL PROPERTY DEVELOPMENT" REIT for 2023 chose Nikolay Polinchev - registered auditor with Diploma No. 0684 in IDES, for a registered auditor to verify and certify the company's annual financial statements for 2023.

The audit committee followed the work of the selected independent auditor and confirms that the independent financial audit for 2023, both of the individual and of the consolidated annual financial statements of INTERCAPITAL PROPERTY DEVELOPMENT REIT , was conducted and prepared in accordance with the law, in strict compliance with the requirements for an independent financial audit of the enterprises performing activities of public interest according to the current legislation.

### **5. Review the independence of the registered auditor of the entity in accordance with the requirements of the law and the Code of Ethics for professional accountants and monitor the provision of additional services by the registered auditor to the audited entity**

The review of the independence of the registered auditor selected by the regular annual General Meeting of Shareholders for 2023 to verify and certify the Company's annual financial statements for 2023 showed that Nikolay Polinchev - registered auditor with diploma No. 0684 in IDES, meets the legal requirements and the requirements of the management bodies of the Company. The registered auditor did not provide additional services to the Company in 2023 other than the verification and certification of financial statements.

Pursuant to Art. 62 of the Independent Financial Audit Act, the registered auditor periodically publishes transparency reports.

The requirement of Art . 65 of the Law on the Independent Financial Audit.

### **III. Recommendation for the selection of a registered auditor for the verification and certification of the Company's annual financial statements for 2024.**

Pursuant to Art. 108, para. 1, item 6 of the Law on the Independent Financial Audit The Audit Committee of INTERCAPITAL PROPERTY DEVELOPMENT REIT recommends that the independent financial audit of the financial statements for 2024 be performed by Katerina Krasimirova Shopova - registered auditor with Diploma No. 0864 in IDES.

Members of the Audit Committee of

INTERCAPITAL PROPERTY DEVELOPMENT  
REIT



Iva Chorapinova



Tsvetelina Hristova



Zhivka Stankova - Nikolova