

ADVANCE TERRAFUND REIT

INTERIM FINANCIAL STATEMENTS

30 September 2009

ADVANCE TERRAFUND REIT

BALANCE SHEET

As at 30 September 2009

All amounts are given in BGN'000 unless indicated otherwise

	Note	As at 30.09.2009	As at 31.12.2008
ASSETS			
Investment property	4	124,570	112,512
Expenses on acquisition of investment property		35	-
Rent and other receivables	5	8,923	2,864
Cash and cash equivalents	6	30,801	49,839
TOTAL ASSETS		<u>164,329</u>	<u>165,215</u>
LIABILITIES			
Current liabilities	7	712	4,707
TOTAL LIABILITIES		<u>712</u>	<u>4,707</u>
NET ASSETS		<u>163,617</u>	<u>160,508</u>
EQUITY			
Share capital		85,110	85,110
Issue premiums		43,411	43,411
Retained profit		31,987	31,249
Financial result for the current period		3,109	738
TOTAL EQUITY		<u>163,617</u>	<u>160,508</u>

The Interim Financial Statements were approved by the Board of Directors and signed on behalf of Advance TerraFund REIT on 27 October 2009 by:

Radoslav Manolov
Executive Director

Yoana Georgieva
Chief Accountant

The Notes form integral part of these Interim Financial Statements.

ADVANCE TERRAFUND REIT

INCOME STATEMENT

For the period ended 30 September 2009

All amounts are given in BGN'000 unless indicated otherwise

	Note	Period ended 30.09.2009	Period ended 30.09.2008
Income from interests		2,330	44
Income from sales and exchange of investment property	4	438	-
Carrying amount of property sold		<u>(274)</u>	<u>-</u>
		164	-
Income from lease and rent of investment property	4	2,838	1,858
Other income		<u>31</u>	<u>-</u>
OPERATING INCOME		<u>5,363</u>	<u>1,902</u>
Expenses on hired services	8	(2,041)	(3,045)
Payroll expenses		(85)	(86)
Financial expenses		(3)	(951)
Other expenses		(125)	-
OPERATING EXPENSES		<u>(2,254)</u>	<u>(4,082)</u>
NET PROFIT/LOSS		<u>3,109</u>	<u>(2,180)</u>
Earnings per share (BGN)	10	0.04	(0.05)

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ADVANCE TERRAFUND REIT

CASH FLOW STATEMENT

For the period ended 30 September 2009

All amounts are given in BGN'000 unless indicated otherwise

	Period ended 30.09.2009	Period ended 30.09.2008
CASH FLOW FROM OPERATING ACTIVITIES		
Payments related to business counterparties	(8,036)	(610)
Proceeds from rent and sales	1,029	2,468
Taxes paid (excluding corporate tax)	-	(40)
Payments related to salaries	(127)	(79)
Interests received	1,353	44
Other cash flow from core activities	(1,450)	(1,368)
Purchase of investment property	(11,803)	(15,206)
TOTAL CASH FLOW FROM OPERATING ACTIVITIES	(19,034)	(14,791)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of own shares	-	78,003
Proceeds from loans	-	26,108
Loans repaid	-	(8,000)
Interest, fees and commissions on loans paid	-	(776)
Other cash flow from financing activities	(4)	-
TOTAL CASH FLOW FROM FINANCING ACTIVITIES	(4)	95,335
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(19,038)	80,544
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	49,839	514
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	30,801	81,058

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ADVANCE TERRAFUND REIT

CHANGES IN EQUITY STATEMENT

For the period ended 30 September 2009

All amounts are given in BGN'000 unless indicated otherwise

	Share capital	Issue premiums	Retained profit	Total
BALANCE AS AT 31 DECEMBER 2008	85,110	43,411	31,249	159,770
Financial result for 2008	-	-	738	738
BALANCE AS AT 31 DECEMBER 2008	<u>85,110</u>	<u>43,411</u>	<u>31,987</u>	<u>160,508</u>
Financial result for the period	-	-	3,109	3,109
BALANCE AS AT 30 SEPTEMBER 2009	<u>85,110</u>	<u>43,411</u>	<u>35,096</u>	<u>163,617</u>

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1. BACKGROUND

Advance TerraFund REIT

Advance TerraFund REIT (the Company) is a public joint-stock company established at Foundation Meeting held on 12 April 2005 with initial capital amounting to BGN 500,000 divided into 500,000 shares with nominal value of BGN 1 each. The Company was re-entered into the Commercial Register at the Registry Agency under UIC 131418187. The Company has its seat and management address at 1 Zlatovrah Street, Region of Lozenets, Sofia.

The scope of activity of the Company includes investment of funds raised through public offering of own shares in real estates (securitization of real estates) through purchase of rights of ownership and other material rights on real estates and constructions and related improvements with the purpose of management, rent, lease and/or sale.

The special legislation related to the activity of the Company is contained and arises mainly from the Law on Special Investment Purpose Vehicles and the Law on the Public Offering of Securities. Based on them, the Company is subject to regulation by the Financial Supervision Commission. The Company holds License No 10-ДСИЦ/8 December 2005 issued on the basis of Decision No 452-ДСИЦ dated 14 July 2005 of the Financial Supervision Commission.

The Company is bound by no term of existence.

The Company has one-tier management system. The Board of Directors of the Company is in the following composition: Radoslav Iliev Manolov – Executive Director, Borislav Vitanov Petkov – President of the Board of Directors and Nencho Ivanov Penev – Member of the Board of Directors.

Karoll Finance EOOD is the servicing company of Advance TerraFund REIT and is a shareholder owing 19.32% of the capital of Advance TerraFund REIT as at 30 September 2009, rendering consulting and other services such as administrative, accounting and human resources services.

As of the incorporation of the Company in 2005, the Company performed five subsequent increases of the capital and its capital as at 30 September 2009 amounts to BGN 85,110,091.

Investment strategy, purposes and limitations of the Company

Advance TerraFund REIT is a joint-stock special investment purpose company for securitization of real estates. The Company has the right to acquire property rights only on agricultural, urban and forest real estates located in the Republic of Bulgaria. As per the Statute of Advance TerraFund REIT adopted at the Constituent Meeting of the Company held on 12 April 2005, its investment purposes are:

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

1. BACKGROUND (CONTINUED)

The strategy of the Company envisages investment in real estates meeting the requirements of Article 9 of the Statute of Advance TerraFund REIT with the purpose of receiving current income from rental, lease and conceded right of use agreements as well as through the sale of these real estates with a view of forming steady income. In order to achieve its key objective, the Company may apply suitable strategies for protection against market and currency risks.

Financial objectives:

- Providing steadily increasing current income for the shareholders in the form of cash dividends through renting out the land owned by the Company;
- Maximizing the value of the shareholders' investments through constant active management of the assets of the Company and acquisition/sale of agricultural property;
- Diversification of the portfolio of agricultural property through investment in various types of agricultural property (arable land, land with perennial plants, vineyards, etc.) located in different regions of the Republic of Bulgaria with a view to reducing the non-systematic risks of the investment portfolio;
- Securing liquidity for the shareholders of the Company through listing the shares of Advance TerraFund REIT at Bulgarian Stock Exchange - Sofia;
- Performing the necessary capital increases with the purpose of structuring a balanced portfolio of real estates.

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

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

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

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

- Securities issued or guaranteed by the Bulgarian state and bank deposits – without limitations;
- Mortgage bonds issued according to the procedures and under the provisions of the Law on Mortgage Bonds – up to 10% of the assets of the Company.

The Law on Special Investment Purpose Vehicles allows investments of up to 10% of the capital of the Company in one or more servicing companies.

2. BASIS OF FINANCIAL STATEMENTS PREPARATION

The Company prepares and presents its financial statements on the basis of the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the Interpretations on their application issued by the International Financial Reporting Interpretations Committee (IFRIC), adopted by the Commission of the European Union (the Commission) and applicable in the Republic of Bulgaria.

These Interim Financial Statements have been prepared on the basis of the historical cost convention with the exclusion of the items of investment property revalued at fair value. The other financial assets and liabilities and non-financial assets and liabilities are reported at depreciated value or historical cost.

Accounting assumptions and accounting estimates

The preparation of financial statements requires from the Management to make estimates and assumptions that affect the carrying amounts of assets and liabilities as at balance sheet date, the amounts of income and expenses during the reporting and the reporting of contingent assets and liabilities. Although these estimates are based on the most precise estimation of the current events by the Management and the available information as at the date of financial statements issue, actual results may differ from the estimates made.

The main source of uncertainty for the Company regarding the assumptions and estimates is the measurement of the fair value of investment property (see Note 3).

Functional currency and reporting currency

According to the requirements of the Bulgarian accounting legislation, the Company keeps accounts and prepares its financial statements in the national currency of the Republic of Bulgaria – the Bulgarian lev, which is the functional currency of the Company. Since 1 January 1999, the Bulgarian lev has been pegged to the Euro at an exchange rate of BGN 1.95583 = EUR 1.

3. KEY ELEMENTS OF THE ACCOUNTING POLICY

Investment property

The investment property, in which the Company invests, is land held for income in the form of rent and with the purpose of capital increase.

Initially, investment property is measured at cost, including acquisition cost and all direct costs related to the acquisition.

The subsequent costs related to an item of investment property, which has been already reported, are added to its carrying amount when the Company is likely to obtain future economic benefits exceeding the initially measured value of such item.

The subsequent measurement of an item of investment property is made using the fair value model, which values an item of investment property after an initial valuation according to acquisition cost with adjustments to the fair value reported in the income statement.

3. KEY ELEMENTS OF THE ACCOUNTING POLICY (CONTINUED)

The Company rents out its investment property, respectively retaining all considerable risks and benefits arising from the ownership of such property.

Cash

Cash and cash equivalents include cash in hand and in current accounts and deposits in banks with maturity of up to 12 months.

Financial instruments

All financial assets and liabilities are initially measured at fair value, which is the fair value of the paid (for assets) or received (for liabilities) compensation. The financial assets include financial assets held for trading, credits and receivables held till maturity and financial assets available for sale. The financial assets held for trading and available for sale are subsequently measured at fair value, where the changes in the fair value are reported as income or expenses in the income statement (in case of assets held for trading) or are reported in the equity (in case of assets available for sale). The credits, receivables and financial assets held till maturity are subsequently measured at depreciated value using the effective interest rate method.

Debt and equity instruments are classified as financial liabilities or equity based on the particular agreements. An equity instrument is any agreement, which ensures return value in the assets of the Company after deduction of all liabilities. Equity instruments are reported on the basis of the received returns, net of issue costs. Financial liabilities are classified as financial liabilities reported at fair value in the profit or loss or as other financial liabilities. The income and expenses related to financial liabilities measured at fair value are reported in the profit and loss. The other financial liabilities, including loans, are initially measured at fair value, net of transaction costs. They are subsequently measured at depreciated value using the effective interest rate method, the expense on interests being reported on the basis of effective profitability.

As at each balance sheet date, available financial assets are tested for impairment and revaluation indications. In case that there are such indications, the recoverable value of the asset is determined.

Foreign currency transactions

A foreign currency transaction is reported in BGN as per the exchange rate of the Bulgarian National Bank effective on transaction date. Assets and liabilities denominated in foreign currencies are reported as at balance sheet date as per the closing exchange rate of the Bulgarian National Bank.

Foreign exchange gains and loss and gains and loss on foreign exchange dealing are reported in the income statement for the period of their occurrence.

Since 1 January 1999, the Bulgarian lev has been pegged to the currency of the European Union at an exchange rate of EUR 1 for BGN 1.95583. The fluctuations of all other currencies with respect to the Bulgarian lev reflect the fluctuations of the same currencies with respect to the EUR in the international markets.

The Company has no material transactions in currencies other than BGN and EUR and is exposed to no currency risk.

3. KEY ELEMENTS OF THE ACCOUNTING POLICY (CONTINUED)**Short-term receivables and payables**

Short-term receivables are measured at estimated realizable value.

Short-term payables are measured at the actual value of origination at which they are expected to be settled.

Income from rent

Income from rent of investment property is reported in the income statement based on the current accrual principle for the agreement validity period.

Income from interests

Income from interests on deposits is currently reported in the income statement in compliance with the terms and conditions of the particular deposit agreement. Received interests on securities holding for trading are reported as income from interests.

4. INVESTMENT PROPERTY

The investment property as at 30 September 2009, having total value of BGN 124,570 thousand, includes agricultural land of approximately 298,472 decares of total value of BGN 101,799 thousand, estates in process of regulation of approximately 128 decares of total value of BGN 19,022 thousand and regulated real estate of approximately 11 decares of value of BGN 3,749 thousand, including revaluation up to fair value of BGN 33,535 thousand.

The investment property as at 30 September 2008, having total value of BGN 104,237 thousand, includes agricultural land of approximately 248,970 decares of total value of BGN 81,355 thousand, estates in process of regulation of approximately 128 decares of total value of BGN 19,383 thousand and regulated real estate of approximately 11 decares of value of BGN 3,499 thousand, including revaluation up to fair value of BGN 33,282 thousand.

As of the beginning of the reporting period till the end of September 2009, the Company realized sales of agricultural land of 807 decares at prices between BGN 500 and 550 per decare.

The Company has signed rental agreements for agricultural land of approximately 200,603 decares for 2008-2009 financial year. The income from rent totalling BGN 2,838 thousand has been reported in the income statement.

As at 30 September 2008, the Company had signed rental agreements for agricultural land of approximately 147,646 decares and the income realized from them amounted to BGN 1,858 thousand.

5. RENT AND OTHER RECEIVABLES

	As at 30.09.2009	As at 31.12.2008
Advances to suppliers, brokers and counterparties	2,017	1,127
Receivables from rent and suppliers	5,261*	1,143
Receivable interests on deposits in BGN and EUR	1,500	522

ADVANCE TERRAFUND REIT

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 September 2009

All amounts are given in BGN'000 unless indicated otherwise

Other	145	72
Total	<u>8,923</u>	<u>2,864</u>

** On 14 September 2009, Advance TerraFund REIT signed a preliminary agreement for purchase of real estate on the land of Veliko Tarnovo, covering an area of 38 decares. By virtue of this agreement, the Company made a prepayment of BGN 1,879,500 /one million eight hundred seventy-nine thousand and five hundred Bulgarian leva/.*

6. CASH AND CASH EQUIVALENTS

	As at 30.09.2009	As at 31.12.2008
Cash in hand	502	96
Cash in current account in BGN	573	172
Cash in deposits in BGN	6,500	14,366
Cash in deposits in EUR	23,226	35,205
Total	<u>30,801</u>	<u>49,839</u>

7. CURRENT LIABILITIES

	As at 30.09.2009	As at 31.12.2008
Payables to suppliers and clients	5	214
Advances received	-	3,500
Payables to banks	585	328
Payables to the servicing company (Note 9)	55	251
Provisions for liabilities	6	-
Payables to the personnel	2	-
Payables to social security institutions	1	-
Payable compensations	-	404
Other payables	58	10
Total	<u>712</u>	<u>4,707</u>

8. EXPENSES ON HIRED SERVICES

	Period ended 30.09.2009	Period ended 30.09.2008
Remuneration of the servicing company	1,706	1,829
Expenses on consulting services	22	810
Expenses on commissions	129	204
Expenses on receivables insurance	12	24
Annual fees	6	93
Advertising	45	6
Subsequent expenses on property management	86	31
Expenses on litigation	4	-
Other expenses and fees	31	48
Total	<u>2,041</u>	<u>3,045</u>

9. SERVICE AGREEMENT

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 September 2009

All amounts are given in BGN'000 unless indicated otherwise

The Company has a service agreement with Karoll Finance EOOD, which holds an interest of 19.32% of the share capital of the Company. According to the mentioned agreement, Karoll Finance EOOD renders consulting, administrative and human resources services for an annual fee.

As of 01.10.2008, the service fee has been calculated as follows:

- 0.375% of the value of the investment property of the Company as per acquisition cost, payable for each quarter;
- 1.5% of the difference between the revaluation costs and the acquisition cost of the investment property acquired by the end of the previous year and reported in the annual financial statements, payable for each quarter;
- 10% of the receivables of the Company from rent and lease, calculated at the end of each quarter;
- 10% of the difference between the sales price and the acquisition cost, when realizing a sale, provided that an internal rate of return (IRR) amounting to a minimum of 15%, calculated on an annual basis, is reached.

The total service fees as at 30 September 2009 and 30 September 2008 amount to BGN 1,706 thousand and BGN 1,829 thousand.

10. EARNINGS PER SHARE

	Period ended 30.09.2009	Period ended 30.09.2008
Net profit (BGN'000)	3,109	(2,180)
Weighted average number of share based on days	85,110,091	44,056,058
Earnings per share (BGN)	0.04	(0.05)

The weighted average number of shares is calculated as the total of the number of ordinary shares in circulation at the beginning of the period and the number of ordinary shares in circulation issued during the period, each number of shares being multiplied by weighted average time factor in advance.

11. FINANCIAL RISK MANAGEMENT

At the end of 2008 and the beginning of 2009, as a result of the global economic crisis affecting the various industries and segments of the Bulgarian economy, a slump of the level of economic development was registered, which creates considerable uncertainty and risk for their development in the foreseeable future. The drop of the level of development of the economy leads to an increase of the risks of the economic environment, in which the Company operates. The effect of the crisis is significant also for the markets in agricultural land and regulated land, which also registered a downward trend. The development of the financial crisis with a negative trend creates a considerable uncertainty regarding the values of the accounting estimates and the future losses. The return on the investments and maintaining the liquidity of the Company depend on the development of the global crisis, namely the specifics of the Bulgarian real estate markets.

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 September 2009

All amounts are given in BGN'000 unless indicated otherwise

The Company applies adequate risk management procedures as disclosed hereinafter.

Credit risk

The Company applies credit policies in order to attract clients with appropriate credit reputation for management of investment property, credit history and financial means. The Company is exposed to no considerable credit risk. The receivables are monitored regularly with the purpose of undertaking timely measures.

Liquidity risk

The Company monitors its cash flows, the maturity of its debts and its liquidity in order to assess its exposure to liquidity risk. The Company maintains sufficient available cash to finance its activity and mitigate the fluctuations of cash flows. The Company ensures the necessary resources for its activity through public offering of shares and through a number of credit opportunities provided by financial institutions, securing the credits with its own investment property.

As at 30 September 2009	Up to 1 month	1 month to 3 months	3 months to 1 year
FINANCIAL ASSETS			
Cash and cash equivalents	7,275	19,314	4,212
Advances to brokers and counterparties	-	2,017	-
Receivables from rent and suppliers	-	3,381	1,880
Receivable interests on deposits	7	1,386	107
Other receivables	-	125	20
Total financial assets	<u>7,282</u>	<u>26,223</u>	<u>6,219</u>
FINANCIAL LIABILITIES			
Advances received	-	-	-
Payables to suppliers and clients	5	-	-
Payables to related parties	585	-	-
Payables to social security institutions	2	-	-
Tax liabilities	1	-	-
Payables to the personnel	6	-	-
Provisions for liabilities	-	-	55
Other payables	58	-	-
Total financial liabilities	<u>657</u>	<u>-</u>	<u>55</u>

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 September 2009

All amounts are given in BGN'000 unless indicated otherwise

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

As at 31 December 2009	Up to 1 month	1 month to 3 months	3 months to 1 year
FINANCIAL ASSETS			
Cash and cash equivalents	14,634	-	35,205
Advances to brokers and counterparties	-	1,127	-
Receivables from rent and suppliers	525	60	558
Receivable interests on deposits	192	-	330
Other receivables	-	-	72
Total financial assets	15,351	1,187	36,165
FINANCIAL LIABILITIES			
Advances received	-	3,470	30
Payables to suppliers and brokers	214	-	-
Payables to related parties	328	-	-
Payables to social security institutions	2	-	-
Tax liabilities	6	-	-
Payables to the personnel	2	-	-
Payable compensations	-	404	-
Provisions	-	196	55
Total financial liabilities	552	4,070	85

Interest rate risk

The values of the assets of the Company depend on the dynamics of market interest rates. The Company is exposed to risk related to interest rate fluctuations as the return on interest-bearing assets changes as a result of the changes in market interest rates. Regarding floating interest rates, the Company is exposed to risk depending on the interest rate index to which the respective financial instrument is pegged.

As at 30 September 2009	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	No-interest bearing	Total
Assets						
Receivables from brokers	-	-	-	-	2,017	2,017
Receivables from rent	-	-	-	-	5,261	5,261
Other receivables	-	-	-	-	145	145
Interests on deposits	7	1,386	107	-	-	1,500
Cash in hand	-	-	-	-	502	502
Cash in banks	6,773	19,314	4,212	-	-	30,299
Total assets	6,780	20,700	4,319	-	7,925	39,724

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 September 2009

All amounts are given in BGN'000 unless indicated otherwise

11. FINANCIAL RISK MANAGEMENT (CONTINUED)**LIABILITIES**

Payables to suppliers	-	-	-	-	5	5
Payables to related parties	-	-	-	-	585	585
Advances received	-	-	-	-	-	-
Payables to social security institutions	-	-	-	-	2	2
Tax liabilities	-	-	-	-	1	1
Payables to the personnel	-	-	-	-	6	6
Provisions for liabilities	-	-	-	-	55	55
Other payables	-	-	-	-	58	58
Total liabilities	-	-	-	-	712	712

As at 31 December 2008

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	No-interest bearing	Total
Assets						
Receivables from brokers	-	-	-	-	1,127	1,127
Receivables from rent and leases	-	-	-	-	1,143	1,143
Other receivables	-	-	-	-	72	72
Cash in hand	-	-	-	-	522	522
Cash in banks	-	-	-	-	96	96
Total assets	14,538	-	35,205	-	-	49,743
Assets	14,538	-	35,205	-	2,960	52,703
Liabilities						
Payables to suppliers	-	-	-	-	214	214
Payables to related parties	-	-	-	-	328	328
Advances received	-	3,470	-	-	30	3,500
Payable compensations	-	-	-	-	404	404
Payables to social security institutions	-	-	-	-	2	2
Tax liabilities	-	-	-	-	6	6
Payables to the personnel	-	-	-	-	2	2
Provisions	-	-	-	-	251	251
Total liabilities	-	3,470	-	-	1,237	4,707

Currency risk

The Company is exposed to currency risk when executing transactions in financial instruments denominated in foreign currencies. Foreign currency transactions result in foreign exchange gains and loss. The financial assets and investments as at 30 September 2009 are denominated in BGN and EUR and, due to the operating currency board and the fixed BGN/EUR exchange rate, no currency risk exists. As at the date of preparation of these Interim Financial Statements, the Company has no exposure to currencies other than BGN and EUR.

Market risk

The market risk is a systematic risk, which influences the values of all assets. It arises from the characteristics of the macroeconomic environment and the status of the capital market in the country. The market risk is beyond the control of the Company and as a whole cannot be diversified. The main method for limitation of the market risk and its components is the collection and processing of information about the macroeconomic environment and on this basis – projecting and adjusting the investment policy to the expected changes in the environment.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 September 2009

All amounts are given in BGN'000 unless indicated otherwise

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Company invests a minimum of 75% of its portfolio in land designated for agricultural purposes and up to 25% in land in urbanized territories. The agricultural land is exposed to low risk of changes in prices and rent. The increased risk in the segment affects mainly real estate designated for building construction and is a result of the global financial crisis. The current situation cannot have any material negative effect on the financial position and operating results of the Company. Nevertheless, the Company has undertaken measures for reduction of the share of land in urbanized areas to limit the price risk.

	30 September 2009		31 December 2008	
	Fair value	% of the net assets, measured at market price	Fair value	% of the net assets, measured at market price
Agricultural land	101,799	81.72	89,741	79.76
Properties in urbanized territories	19,022	15.27	19,022	16.91
Properties in regulation	3,749	3.01	3,749	3.33
Total	124,570	100.00	112,512	100.00

Capital Risk

The Company manages its capital with the purpose of ensuring maximum return for the shareholders through optimization of the capital structure. The strategy of the Company has remained unchanged since the end of 2008. The capital structure consists of cash and cash equivalents and equity (see Note 6).

12. POST BALANCE SHEET EVENTS

No post balance sheet events, requiring adjustment of the Financial Statements and the Notes thereto, have occurred.

Radoslav Manolov
Executive Director

Yoana Georgieva
Chief Accountant