

ADVANCE TERRAFUND REIT

INTERIM FINANCIAL STATEMENTS

30 September 2010

ADVANCE TERRAFUND REIT

STATEMENT OF FINANCIAL POSITION

As of 30 September 2010

All amounts are in BGN thousand unless otherwise indicated

	Note	As of 30.09.2010	As of 31.12.2009
ASSETS			
Investment property	4	129,588	123,905
Plant and equipment		1	1
Rent and other receivables	5	6,773	5,213
Cash and cash equivalents	6	21,975	29,287
TOTAL ASSETS		<u>158,337</u>	<u>158,406</u>
LIABILITIES			
Current liabilities	7	963	3,986
TOTAL LIABILITIES		<u>963</u>	<u>3,986</u>
NET ASSETS		<u>157,374</u>	<u>154,420</u>
CAPITAL			
Core capital		85,110	85,110
Premiums from issues		43,411	43,411
Retained earnings		25,581	25,899
Financial result for the current period		3,272	-
TOTAL CAPITAL		<u>157,374</u>	<u>154,420</u>

The interim financial statement is approved by the Board of Directors and signed on behalf of Advance Terrafund REIT on 28 October 2010 by:

Radoslav Manolov
Executive Director

Yoana Georgieva
Chief Accountant

The enclosed Notes are an integral part of this financial statement.

VANCE TERRAFUND REIT

STATEMENT OF EQUITY

As of 30 September 2010

All amounts are in BGN thousand unless otherwise indicated

	Note	The period ended 30.09.2010	The period ended 31.09.2009
Interest income		1,050	2,330
Revenues from sales and exchange of investment property	4	1,451	438
Book value of the sold property		<u>(834)</u>	<u>(274)</u>
		617	164
Revenues from lease and rent of investment property	4	4,084	2,838
Other revenues		<u>21</u>	<u>31</u>
OPERATING REVENUES		<u>5,772</u>	<u>5,363</u>
Costs for materials		(2)	-
Costs for external services	8	(2,392)	(2,041)
Costs related to the personnel		(84)	(85)
Financial costs		(3)	(3)
Other costs		<u>(19)</u>	<u>(125)</u>
OPERATING COSTS		<u>(2,500)</u>	<u>(2,254)</u>
NET PROFIT		<u>3,272</u>	<u>3,109</u>
Other comprehensive income		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME		<u>3,272</u>	<u>3,109</u>
Income per share (BGN)	12	0.04	0.04

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VANCE TERRAFUND REIT

STATEMENT OF EQUITY

As of 30 September 2010

All amounts are in BGN thousand unless otherwise indicated

	The period ended 30.09.2010	The period ended 31.09.2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Purchase of investment property	(6,425)	(11,803)
Payments related to commercial partners	(691)	(8,036)
Revenues from rent and sales	4,019	1,029
Payments related to labor remunerations	(83)	(127)
Interest received	1,100	1,353
Other cash flows from core activities	(2,048)	(1,450)
TOTAL CASH FLOWS FOR OPERATING ACTIVITIES	(4,128)	(19,034)
CASH FLOWS FROM FINANCIAL ACTIVITIES		
Cash flows related to dividend payments	(3,181)	-
Other cash flows from financial activities	(3)	(4)
TOTAL CASH FLOWS FROM FINANCIAL ACTIVITIES	(3,184)	(4)
NET INCREASE/(DECREASE) OF CASH AND CASH EQUIVALENTS	(7,312)	(19,038)
CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD	29,287	49,839
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	21,975	30,801

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ADVANCE TERRAFUND REIT

	Core capital	Premiums from issues	Accumulated profit/(loss)	Total
BALANCE ON 31 JANUARY 2009	85,110	43,411	31,987	160,508
Total comprehensive income for 2009	-	-	(3,224)	(3,224)
Dividend (Note 13) 13)	-	-	(2,864)	(2,864)
BALANCE AS OF 31 DECEMBER 2009	<u>85,110</u>	<u>43,411</u>	<u>25,899</u>	<u>154,420</u>
Total comprehensive income for the period	-	-	3,272	3,272
Dividend (Note 13) 13)	-	-	(318)	(318)
BALANCE AS OF 30 SEPTEMBER 2010	<u>85,110</u>	<u>43,411</u>	<u>28,853</u>	<u>157,374</u>

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1. BACKGROUND

Advance Terrafund REIT

Advance Terrafund REIT (“the Company”) is a public joint-stock company established at the Constituency Assembly from 12 April 2005, with initial capital amounting to BGN 500 thousand distributed into 500,000 shares with par value of BGN 1 each. The Company is re-registered in the Trade Register of the Registration Agency under UIC 131418187. The seat and management address of the Company is 1 Zlatovruh Str., Sofia. “.

The Company’s subject of activity is investment of funds raised through public offering of securities in real estate (securitization of real estate) through purchase of right of ownership and other material rights on real estate and building constructions and improvements to them, with the purpose of their management, rental, leasing, and/or sale.

The special purpose legislation related to the activity of the Company is contained and arises mainly from the Act on the Special Investment Purpose Companies (ASIPC) and the Act on the Public Offering of Securities (APOS). On the basis of them the Company is subject to regulation by the Financial Supervision Commission (FSC). The Company obtained license № 10-ДСИЦ/08.12.2005, issued on the basis of Decision № 452-ДСИЦ from 14 July 2005 of the Financial Supervision Commission.

The Company has been established for an unlimited term.

The Company has a one-tier management system. The Board of Directors (BD) of the Company is composed of: Radoslav Iliev Manolov – Executive Director, Borislav Vitanov Petkov – Chairman of the BD and Nencho Invanov Penev – Member of the BD.

Karoll Finance EOOD is the servicing company of Advance Terrafund REIT, which as of 30 September 2010 is a shareholder holding 19.26% of the capital of Advance Terrafund REIT, rendering consultancy and other services, such as administrative, accounting and human resources services.

After the establishment of the company in 2005, five subsequent increases of the capital of the Company have been carried out, and as of 30 September 2010 the capital of the Company amounts to BGN 85,110,091.

Investment strategy, objectives and restrictions of the Company

Advance Terrafund REIT is a joint-stock company with the special investment purpose of securitization of real state. The Company has the right to acquire material rights only on agricultural, urbanized and forestry real estate located on the territory of the Republic of Bulgaria. As per the Statutes of Advance Terrafund REIT adopted at the Constituency Assembly of the Company from 12 April 2005, its investment objectives are:

- Providing its shareholders with the opportunity to invest in a diversified portfolio of real estate, acting on the principle of risk allocation;
- Ensuring for its shareholders retention and increase of the value of their investments through the realization of a stable income under a balanced risk allocation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the period ended 30 September 2010

All amounts are in BGN thousand unless otherwise indicated

1. BACKGROUND (CONTINUED)

The strategy of the Company envisages investments in real estate meeting the requirements of article 9 of the Statutes of Advance Terrafund REIT with the objective of receiving current revenues from rental and leasing contracts, transferred right of use and from the sale of this property, with a view of the formation of a stable income. In order to achieve its main objective the Company may apply appropriate strategies to safeguard against market and currency risks.

Financial objectives:

- Ensuring a steadily increasing current income for the shareholders in the form of cash dividend through renting out the owned land;
- Maximizing the value of the investments of the shareholders through continuous active management of the Company's assets and acquisition/sale of agricultural land;
- Diversification of the portfolio of agricultural lands through investment in various types of agricultural real state (arable land, perennial plants, vineyards, etc.), located in various regions of the Republic of Bulgaria with the aim of reducing the non-systematic risks of the investment portfolio;
- Providing liquidity for the shareholders of the Company through listing of the shares of Advance Terrafund REIT for trade at Bulgarian Stock Exchange - Sofia;
- Making the necessary capital increases with the aim of structuring a balanced portfolio of real estate.

The investment policy of the Company provides that it invests the raised capital in real estate defined through their main and specific designation, as per the territory planning schemes and the detailed territory plan as follows:

- Real estates in urbanized territories /settlements and villages / – designated for residential, public service, manufacturing, warehousing, resort, country housing, sports and entertainment functions;
- Real estate in agricultural territories – arable land /fields, orchards and vegetable gardens, vineyards, meadows, etc. / and non-arable lands;
- Land in forest territories – forests and forestry lands;

According to the investment policy of the Company the investments in land represent up to 90% of the book value 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 – no restrictions;
- Mortgage bonds issued following the procedures and terms of the Mortgage Bonds Act – up to 10% of the Company's assets.

The Act on the Special Investment Purpose Companies also allows for investments of up to 10% of the Company's capital in one or more servicing companies.

2. BASIS FOR DRAFTING OF THE FINANCIAL STATEMENTS

The Company prepares and presents its financial statements on the basis of the International Financial Reporting Standards (IFRS) 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.

The present financial statements are prepared in compliance with the convention of the historic price, with the exclusion of the investment property revaluated according to fair value. The other financial assets and liabilities and the non-financial assets and liabilities are accounted for according to depreciated or historic value.

Accounting assumption and accounting estimates

The drafting of the financial statements requires from the management to make estimates and assumptions which influence the book value of the assets and liabilities as of the date of the statement of financial position and the amount of the revenues and costs during the reported period, as well as on the disclosure of conditional 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 of the date of issuance of the financial statements, the actual future results may differ from the estimates.

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

Functional currency and representation currency

According to the requirements of the Bulgarian accounting legislation the company keeps accounts and drafts its financial statements in the national currency of the Republic of Bulgaria – the Bulgarian lev, which is the functional currency of the Company. From 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 revenues in the form of rent and with the purpose of capital increase.

The investment property is valued initially according to prime cost, including the price of acquisition and all direct costs related to the acquisition of the property.

The subsequent costs related to the investment property which has already been recognized are added to the book value of the investment property when it is probable that the company will receive future economic benefits exceeding the initially valued norm of performance of the existing investment property.

Subsequent valuations of the investment properties are made using the fair value model which values an investment property after an initial valuation according to acquisition price, with adjustments to the fair value, recognized in the statement of comprehensive income as profit and loss for the year.

3. KEY ELEMENTS OF THE ACCOUNTING POLICY (CONTINUED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the period ended 30 September 2010

All amounts are in BGN thousand unless otherwise indicated

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

Cash

Cash and cash equivalents include cash on hand and in current accounts and deposits in banks with maturity of up to 12 months. The Management of the Company considers that deposits with maturity of up to 12 months meet the criteria for cash equivalents as they are easily convertible into cash with an immaterial loss of value.

Financial instruments

All financial assets and liabilities are valued initially according to fair value, which is the fair value of the paid (for assets) or received (for liabilities) compensation. The financial assets include financial assets reported at fair value as profit or loss, loans and receivables held to maturity and financial assets available for sale. The financial assets reported at fair value as profit or loss are subsequently valued according to fair value, where the changes in the fair value are recognized as profit or loss in the statement of comprehensive income. Financial assets available for sale are valued at fair value, where the changes in the fair value are reported in the statement of comprehensive income as other comprehensive income and are reported as revaluation reserves in the equity. The loans, receivables and financial assets held to maturity are subsequently valued according to depreciated value using the method of the effective interest rate.

The debt and capital instruments are classified respectively as financial liabilities or equity, according to the respective contracts. A capital instrument is any contract which ensures residual value in the assets of the Company after the deduction of all liabilities. Capital instruments are accounted for according to the received returns, net from the issue costs. The financial liabilities are classified either as financial liabilities reported at fair value in the profit or loss, or as other financial liabilities. Each revenue/cost related to financial liabilities reported at fair value is accounted in the profit and loss. The other financial liabilities, including loans, are initially valued according to fair value, net from the transaction costs. They are subsequently valued according to depreciated value using the method of the effective interest rate, with the costs for interest recognized on the basis of effective profitability.

As of the date of the statement of financial position a review of the available financial assets is made for indications of depreciation or revaluation. In case that there are such indications, the recoverable value of the asset is determined and depreciation loss is recognized.

Operations in foreign currencies

Transactions denominated in foreign currencies are accounted for in BGN, according to the exchange rate of the Bulgarian National Bank (BNB) on the dates of the respective transactions. The assets and liabilities denominated in foreign currencies are accounted for as of the date of drafting of the statement of financial position, according to the closing exchange rate of BNB.

The profit and loss resulting from exchange rate variations and trade in currency are accounted for in the statement of comprehensive income as profit or loss for the period of their occurrence.

3. KEY ELEMENTS OF THE ACCOUNTING POLICY (CONTINUED)

From 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 BGN reflect the fluctuations of the same currencies with respect to the EUR at the international markets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the period ended 30 September 2010

All amounts are in BGN thousand unless otherwise indicated

The Company does not have significant transactions in currencies different from the BGN and EUR and is not exposed to currency risks.

Short-term receivables and liabilities

The short-term receivables are valued according to their expected value of realization.

The current liabilities are valued according to the value of their occurrence, according to which they are expected to be reimbursed in the future.

Revenues from rent

The revenues from renting out of investment property are recognized in the statement of comprehensive income in compliance with the principle of current accumulation for the term of the contract.

Interest income

The interest income from deposits is recognized for the current period in the statement of comprehensive income of the Company in compliance with the conditions of the deposit contract. The realized interest from securities held for trade is accounted for as interest income.

4. INVESTMENT PROPERTY

	Agricultural land	Property in regulation	Property against which there are lawsuits filed	Other	Total
Book value					
As of 1 January 2009	89,671	21,267	1,519	-	112,457
Acquired during the year	18,376	-	-	35	18,411
Written-off during the year	(298)	-	(31)	-	(329)
Claims filed	(71)	-	71	-	-
As of 31 December 2009	<u>107,678</u>	<u>21,267</u>	<u>1,559</u>	<u>35</u>	<u>130,539</u>
Subsequent valuation to fair value					
.	(5,200)	(1,052)	(382)	-	(6,634)
As of 31 December 2009	<u>102,478</u>	<u>20,215</u>	<u>1,177</u>	<u>35</u>	<u>123,905</u>
Acquired during the period	6,517	-	-	-	6,517
Written-off during the period	(834)	-	-	-	(834)
As of 30 September 2010	<u>108,161</u>	<u>20,215</u>	<u>1,177</u>	<u>35</u>	<u>129,588</u>

4. INVESTMENT PROPERTY (CONTINUED)

From the start of the accounting period to the end of September 2010 the Company realized sales of 2,796 decares of agricultural land at an average price of BGN 519 per decare.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the period ended 30 September 2010

All amounts are in BGN thousand unless otherwise indicated

As of the end of the accounting period Advance Terrafund REIT has a signed preliminary contract for the sale of 446 decares of agricultural land at a price of BGN 525 per decare and 237 decares of land with another permanent designation at a price of BGN 320 per decare.

As of 30 September 2010 the Company has rental contracts for the past economic year 2009-2010 of approximately 249,576 decares of agricultural land. The realized revenues from rent amount to BGN 4,084 thousand and are reported in the income statement.

In comparison, the rental contracts signed as of 30 September 2009 for the previous economic year 2008-2009 were for 200,603 decares of agricultural land and the income realized amounted to BGN 2,838 thousand.

5. RENT AND OTHER RECEIVABLES

	As of 30.09.2010	As of 31.12.2009
Advances to brokers and business partners	758	589
Receivables from rent, net from depreciation	3,788	2,215
Advances to suppliers	1,884	1,879
Receivables from interest on deposits in BGN and EUR	301	352
Receivables from indemnities	2	101
Legal and other adjudicated receivables	16	-
Other	24	77
Total	<u>6,773</u>	<u>5,213</u>

On 14 September 2009 Advance Terrafund REIT signed a preliminary contract for purchase of 38 decares of land in the area of the town of Veliko Turnovo. Pursuant to this contract the Company made an advance payment amounting to BGN 1,879 thousand.

6. CASH AND CASH EQUIVALENTS

	As of 30.09.2010	As of 31.12.2009
Cash on hand	285	67
Cash in BGN in current accounts	3,968	1,225
Cash in deposits in BGN	13,028	5,156
Cash in EUR deposits	4,694	22,839
Total	<u>21,975</u>	<u>29,287</u>

7. CURRENT LIABILITIES

As of	As of
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the period ended 30 September 2010

All amounts are in BGN thousand unless otherwise indicated

	<u>30.09.2010</u>	<u>31.12.2009</u>
Liabilities to suppliers and brokers	29	204
Advances received	77	35
Liabilities to the servicing company (Note 9 and Note 11) . 11)	751	859
Dividend liability (Note 13)	-	2,864
Other	106	24
Total	<u>963</u>	<u>3,986</u>

8. COSTS FOR EXTERNAL SERVICES

	<u>The period ended 30.09.2010</u>	<u>The period ended 31.09.2009</u>
Remuneration of the servicing company	1,991	1,706
Costs for consultancy services	9	12
Costs for commissions	195	129
Costs for insurance of receivables	64	12
Costs for external services	15	14
Annual fees	9	6
Advertising	33	45
Subsequent costs for management of the real estate	55	86
Costs for performing market valuations	10	10
Other costs and charges	11	21
Total	<u>2,392</u>	<u>2,041</u>

9. SERVICE CONTRACT

The Company has a service contract with Karoll Finance EOOD, which holds a share of the authorized capital of the Company amounting to 19.26%. According to the above contract Karoll Finance EOOD provides consultancy and administrative services and human resources services against an annual fee.

For the periods 01.01.2009 – 31.12.2009 and 01.01.2010 – 30.06.2010 the service fee is calculated as follows:

1. 0.375% of the value of the investment property of the Company according to acquisition price, payable for each quarter;
2. 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;
3. 10% of the receivables of the Company from rent and leasing, calculated at the end of each quarter;

9. SERVICE CONTRACT (CONTINUED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the period ended 30 September 2010

All amounts are in BGN thousand unless otherwise indicated

4. 10% of the difference between the sales price and the acquisition price 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 for the transaction.

As of 01.07.2010 the service fee has been reduced by eliminating item 2 of the above, namely the Company will not pay a fee of 1.5% on the difference between the revaluation cost and the acquisition price of the investment properties.

The total amount of the fee according to the service contract amounts to BGN 1.991 thousand and BGN 1.706 thousand, as of 30 September 2010 and 30 September 2009, respectively.

10. REMUNERATION OF THE BOARD OF DIRECTORS AND MANAGEMENT

From the start of the reporting period to the end of September 2010 the Company paid remuneration amounting to BGN 51 thousand to the directors and management of the Company.

The Company does not apply a pension program for its employees or share-based payments.

11. TRANSACTIONS WITH RELATED PARTIES

For the period 01.01.2010 – 31.09.2010

	Liability at the start of the period	Charged during the period	Paid during the period	Liability at the end of the period
Consultancy services				
Karoll Finance EOOD	859	1,991	2,099	751
	Receivable at the start of the period	Charged during the period	Received during the period	Receivable at the end of the period
Leases				
Agro Terra North AD	87	182	-	269
Remuss OOD	140	111	10	241

12. INCOME PER SHARE

	The period ended 30.09.2010	The period ended 31.09.2009
Net profit/loss (BGN thousand)	3,272	3,109
Daily average weighted number of share	85,110,091	85,110,091
Income per share (BGN)	0.04	0.04

12. INCOME PER SHARE (CONTINUED)

The average weighted number of shares is calculated as a sum of the number of ordinary shares in circulation at the start of the period and the number of ordinary shares in circulation issued during the period, with each number of shares multiplied in advance by an average time factor.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the period ended 30 September 2010

All amounts are in BGN thousand unless otherwise indicated

13. DIVIDEND PER SHARE

As per ASIPC, Article 10, the Company is obliged to allocate as dividend no less than 90% of the financial result, converted following the procedure outlined in Article 10, Paragraph 3 of the same Act.

	Value (BGN thousand)
Book loss, as per the income statement from 31.12.2009	(3,225)
<i>Correction for:</i>	
Costs from subsequent valuation of property, net (article 10, paragraph 3, item 1 of ASIPC)	6,328
Profit from transactions with transfers of title on property (article 10, paragraph 3, item 2 of ASIPC)	(164)
Difference between sales price and historic value of property (article 10, paragraph 3, item 3 of ASIPC)	243
<i>Corrected financial result</i>	3,182
Dividend to be allocated - 99.97% of the corrected financial result	99.97%
Dividend liability	<u>3,181</u>

With a decision made at the regular annual general assembly of the shareholders as of 30 June 2010 the Company allocated dividend amounting to BGN 3,181 thousand (BGN 0.03738 per share).

The Board of Directors of the Company determined the following terms for dividend payments for 2009:

1. Gross amount of the dividend per share – BGN 0.03738;
2. Net amount of the dividend per share for shareholders natural persons – BGN 0.035511;
3. Selected commercial bank for payment of the dividend – UBB AD;
4. The date as of which the composition of the shareholders is determined as per the requirements of LPOS is 16.07.2010;
5. Manner of payment of the dividend
 - 5.1. To shareholders whose securities accounts are located in Register A of Central Depository AD (personal accounts), the dividend will be paid through the branch network of UBB AD;
 - 5.2. To shareholders whose securities accounts are located in Register B of Central Depository AD (client sub-account with an investment intermediary), the dividend will be paid through the respective investment intermediary with the cooperation of Central Depository AD;
6. Start date for dividend payments – 27.09.2010;
7. End date for dividend payments – 27.12.2010;
8. After the expiry of the deadline for dividend payments within the five-year prescription period each shareholder who has not received the dividend for 2009 can receive it from the Company in cash or by bank transfer after an express request forwarded to the management address of the Company - 1 Zlatovruh, Lozenets, Sofia or at fax – 02/4008331. Non-received and non-requested dividends after the expiry of the five-year prescription period will be transferred to the Reserve Fund of the Company.

14. MANAGEMENT OF THE FINANCIAL RISK*Credit risk*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the period ended 30 September 2010

All amounts are in BGN thousand unless otherwise indicated

The Company applies credit policies in order to attract clients with credit reputation appropriate for management of investment property, credit history and financial means. The Company is not exposed to a considerable credit risk. The receivables are insured and 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 risks. The Company maintains sufficient cash available in order to fund its activity and mitigate the fluctuations of the cash flows. The Company ensures the necessary resources for its activity through public offering of securities and through a number of credit opportunities provided by financial institutions, securing the loans with its own investment property.

As of 30 September 2010	Under 1 month	1-3 months	3 months- 1 year
FINANCIAL ASSETS			
Cash and cash equivalents	6,253	6,694	9,028
Advances to brokers and business partners	758	-	-
Receivables from rent, net from depreciation	-	3,788	-
Advances to suppliers	-	-	1,884
Receivables from interest on deposits	22	117	162
Receivables from indemnities	2	-	-
Legal and other adjudicated receivables	-	16	-
Other receivables	-	24	-
Total financial assets	7,035	10,639	11,074
FINANCIAL LIABILITIES			
Advances received	-	-	77
Liabilities to suppliers and brokers	29	-	-
Liabilities to related companies	751	-	-
Liabilities to the budget	3	-	-
Liabilities to the personnel	6	-	-
Other liabilities	97	-	-
Total financial liabilities	886	-	77

14. MANAGEMENT OF THE FINANCIAL RISK (CONTINUED)

As of 31 December 2009	Under 1 month	1-3 months	3 months- 1 year
FINANCIAL ASSETS			

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the period ended 30 September 2010

All amounts are in BGN thousand unless otherwise indicated

Cash and cash equivalents	6,448	4,655	18,184
Advances to brokers and business partners	589	-	-
Receivables from rent, net from depreciation	1,221	-	994
Advances to suppliers	-	-	1,879
Receivables from interest on deposits	34	30	288
Receivables from indemnities	-	101	-
Other receivables	-	-	77
Total financial assets	8,292	4,786	21,422

FINANCIAL LIABILITIES

Advances received	-	-	35
Liabilities to suppliers and brokers	204	-	-
Liabilities to related companies	859	-	-
Liabilities to the budget	3	-	-
Liabilities to the personnel	6	-	-
Dividend liability	-	-	2,864
Other liabilities	15	-	-
Total financial liabilities	1,087	-	2,899

Interest rate risk

The value of the assets of the Company depends on the dynamics of the market interest rates. The Company is exposed to risks from fluctuations of the interest rates because the profitability of the interest-bearing assets changes as a result of the changes in the market interest rates. Regarding floating interest rates the Company is exposed to risks depending on the interest rate index to which the respective financial instrument is pegged.

As of 30 September 2010	Under 1 month	1-3 months	3 months -1 year	1-5 years	Non-interest bearing	Total
Assets						
Receivables from brokers	-	-	-	-	758	758
Receivables from rent and advances	-	-	-	-	5,672	5,672
Deposit interests	22	117	162	-	-	301
Rent and other receivables	-	-	-	-	42	42
Cash on hand	-	-	-	-	285	285
Cash in banks	5,968	6,694	9,028	-	-	21,690
Total assets	5,990	6,811	9,190	-	6,757	28,748

14. MANAGEMENT OF THE FINANCIAL RISK (CONTINUED)

As of 30 September 2010	Under 1 month	1-3 months	3 months -1 year	1-5 years	Non-interest bearing	Total
LIABILITIES						

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the period ended 30 September 2010

All amounts are in BGN thousand unless otherwise indicated

Liabilities to suppliers and brokers	-	-	-	-	29	29
Liabilities to related parties	-	-	-	-	751	751
Advances received	-	-	-	-	77	77
Other	-	-	-	-	106	106
Total liabilities	-	-	-	-	963	963

As of 31 December 2009	Under 1 month	1-3 months	3 months -1 year	1-5 years	Non-interest bearing	Total
Assets						
Receivables from brokers	-	-	-	-	589	589
Receivables from rent and advances	-	-	-	-	4,272	4,272
Deposit interests	34	30	288	-	-	352
Cash on hand	-	-	-	-	67	67
Cash in banks	6,381	4,655	18,184	-	-	29,220
Total assets	6,415	4,685	18,472	-	4,928	34,500

LIABILITIES

Liabilities to suppliers and brokers	-	-	-	-	214	214
Liabilities to related parties	-	-	-	-	328	328
Advances received	-	3,470	-	-	30	3,500
Dividend liability	-	-	-	-	404	404
Provisions	-	-	-	-	196	196
Other	-	-	-	-	10	10
Total liabilities	-	3,470	-	-	1,182	4,652

Currency risk

The Company is exposed to currency risks when carrying out transactions with financial instruments denominated in foreign currencies. The transactions denominated in foreign currencies generate profit and loss from exchange rate variations. As of 30 June 2010 the financial assets and investments are denominated in BGN and EUR and under the conditions of the established Currency Board in the country the exchange rate of the BGN to the EUR is fixed and does not create currency risks. Currently the Company has no exposures in currencies different than BGN and EUR.

Market risk

The market risk is a systematic risk which influences the value 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 reduction of the market risk and its components is collection and processing of information about the macroeconomic environment and on this basis – making projections and adjustments of the investment policy to the expected changes in the environment.

14. MANAGEMENT OF THE FINANCIAL RISK (CONTINUED)

The Company invests a minimum of 80% of its portfolio in land designated for agricultural use and up to 20% in land in urbanized areas. The land with agricultural designation is exposed to low risks from changes in prices and rents. The potential reduction of the prices of agricultural land is favorable for the investment policy of the Company, and the fixed increases of the rental price by 20% as compared to the previous year increase the profitability of the investments. The increased risk in the sector

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the period ended 30 September 2010

All amounts are in BGN thousand unless otherwise indicated

affects mainly real estate designated for construction and results from the global financial crisis. The current situation cannot have a serious negative effect on the financial state and the results from the activities of the Company; nevertheless the Company has undertaken measures for reduction of the share of land in urbanized areas with the purpose of restriction of the price risk. Advance Terrafund REIT continues to follow its policy for investments in high quality property meeting the needs for development of modern agriculture and renting or leasing out to first-class tenant/lessees/ at conditions favorable for the Company. In order to minimize the risk from default on the rents, the Company insures its receivables.

	30 September 2010		31 December 2009	
	Fair price	% of the net assets, valued at market price	Fair price	% of the net assets, valued at market price
Agricultural land	108,231	83.52	102,548	82.76
Property in urbanized territories	18,081	13.95	18,081	14.59
Property in regulation	3,276	2.53	3,276	2.65
Total	129,588	100.00	123,905	100.00

15. CONTRACTUAL RECEIVABLES/LIABILITIES FOR PURCHASE/SALE OF PROPERTY

On 30 September 2010 the Company signed a preliminary contract for the sale of 446 decares of agricultural land at a price of BGN 525 per decare, and 237 decares of land with another permanent designation at a price of BGN 320 per decare, under which an advance was received amounting to BGN 62 thousand. The deadline for signature of a final contract for the sale of the above property is 30 September 2011.

In connection with a signed preliminary contract for purchase of 38 decares of land in the area of the town of Veliko Turnovo (see Note 5), the Company was obliged to sign a final contract by 14.09.2010 and pay the remainder of the purchase price amounting to BGN 1,879 thousand.

On 14.09.2010 an additional agreement was signed according to which the term for signature of a final contract was extended until 14.09.2011 while all other terms and conditions of the preliminary contract remained the same.

16. EVENTS AFTER THE END OF THE REPORTING PERIOD

With a Decision of the District Court of Stara Zagora from 15.10.2010 the claim of a natural person against Advance Terrafund REIT regarding the ownership of 4270/10650 ideal parts of a regulated landed property in Stara Zagora was rejected.

As of the date of drafting of the present interim report the term for appeal of the Decision is under way.