

ADVANCE TERRAFUND REIT

INTERIM FINANCIAL STATEMENT

31 March 2010

ADVANCE TERRAFUND REIT

STATEMENT OF FINANCIAL POSITION

As of 31 March 2010

All amounts are in BGN thousand, unless indicated otherwise

| | Note | As of 31.03.2010 | As of 31.03.2009 |
|---|------|---------------------|---------------------|
| ASSETS | | | |
| Investment property | 4 | 125,050 | 123,905 |
| Plant and equipment | | 1 | 1 |
| Rent and other receivables | 5 | 6,712 | 5,213 |
| Cash and cash equivalents | 6 | 27,328 | 29,287 |
| TOTAL ASSETS | | <u>159,091</u> | <u>158,406</u> |
| LIABILITIES | | | |
| Current liabilities | 7 | 3,648 | 3,986 |
| TOTAL LIABILITIES | | <u>3,648</u> | <u>3,986</u> |
| NET ASSETS | | <u>155,443</u> | <u>154,420</u> |
| CAPITAL | | | |
| Core capital | | 85,110 | 85,110 |
| Premiums from issues | | 43,411 | 43,411 |
| Non-allocated profit | | 25,899 | 25,899 |
| Financial result for the current period | | 1,023 | - |
| TOTAL CAPITAL | | <u>155,443</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 April 2010 by:

Radoslav Manolov
Executive Director

Yoana Georgieva
Chief Accountant

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

ADVANCE TERRAFUND REIT

STATEMENT OF COMPREHENSIVE INCOME

For the period ending 31 March 2010

All amounts are in BGN thousand, unless indicated otherwise

| | Note | The period ending 31.03.2010 | The period ending 31.03.2009 |
|---|------|---------------------------------|------------------------------------|
| Revenues from interest rates | | 393 | 913 |
| Revenues from sales and exchange of investment property | 4 | 11 | 423 |
| Book value of the sold property | | <u>(10)</u> | <u>(269)</u> |
| | | 1 | 154 |
| Revenues from lease and rent of investment property | 4 | 1,396 | 914 |
| Other revenues | | <u>4</u> | <u>16</u> |
| OPERATING REVENUES | | <u>1,794</u> | <u>1,997</u> |
| Costs for materials | | (1) | - |
| Costs for external services | 8 | (739) | (682) |
| Costs related to the personnel | | (29) | (28) |
| Financial costs | | (2) | - |
| Other costs | | - | (115) |
| OPERATING COSTS | | <u>(771)</u> | <u>(825)</u> |
| NET (LOSS)/PROFIT | | <u>1,023</u> | <u>1,172</u> |
| Other comprehensive income | | <u>-</u> | <u>-</u> |
| TOTAL COMPREHENSIVE INCOME | | <u>1,023</u> | <u>1,172</u> |
| Income per share (BGN) | 12 | 0.01 | 0.01 |

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ADVANCE TERRAFUND REIT

STATEMENT OF COMPREHENSIVE INCOME

For the period ending 31 March 2010

All amounts are in BGN thousand, unless indicated otherwise

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

| | The period ending 31.03.2010 | The period ending 31.03.2009 |
|---|------------------------------------|------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Purchase of investment property | (1,336) | (1,603) |
| Payments related to commercial partners | (208) | (4,234) |
| Revenues from rent and sales | 354 | 673 |
| Payments related to labor remunerations | (28) | (29) |
| Interest received | 130 | 231 |
| Other cash flows from core activities | (869) | (413) |
| TOTAL CASH FLOWS FOR OPERATING ACTIVITIES | (1,957) | (5,375) |
| CASH FLOWS FROM FINANCIAL ACTIVITIES | | |
| Other cash flows from financial activities | (2) | (1) |
| TOTAL CASH FLOWS FROM FINANCIAL ACTIVITIES | (2) | (1) |
| NET INCREASE/(DECREASE) OF CASH AND CASH EQUIVALENTS | (1,959) | (5,376) |
| CASH AND CASH EQUIVALENTS AT THE START OF THE PERIOD | 29,287 | 49,839 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 27,328 | 44,463 |

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ADVANCE TERRAFUND REIT

STATEMENT OF COMPREHENSIVE INCOME

For the period ending 31 March 2010

All amounts are in BGN thousand, unless indicated otherwise

| | 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) | - | - | (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 | - | - | 1,023 | 1,023 |
| BALANCE AS OF 31 MARCH 2010 | <u><u>85,110</u></u> | <u><u>43,411</u></u> | <u><u>26,922</u></u> | <u><u>155,443</u></u> |

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1. BACKGROUND

Advance Terrafund REIT

Advance Terrafund REIT (“The Company”) is a public joint-stock company established at the Constituent Assembly from 12 April 2005, with initial capital amounting to BGN 500 thousand, allocated into 500,000 shares with par value of BGN 1 each. The Company was re-registered 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 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-SIPC/08.12.2005, issued on the basis of Decision № 452-SIPC 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 31 March 2010 is a shareholder holding 19.22% 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 31 March 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 Articles of Association 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.

1. BACKGROUND (CONTINUED)

The strategy of the Company provides for 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 these estates, 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).

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)

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
 For the period ending on 31 March 2010
 All amounts are in BGN thousand, unless indicated otherwise

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.

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 | Land 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 | 1,155 | - | - | - | 1,155 |
| Written-off during the period | (10) | - | - | - | (10) |
| As 31 March 2010 | <u>103,623</u> | <u>20,215</u> | <u>1,177</u> | <u>35</u> | <u>125,050</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)
 For the period ending on 31 March 2010
 All amounts are in BGN thousand, unless indicated otherwise

4. INVESTMENT PROPERTY (CONTINUED)

From the start of the accounting period to the end of March 2010 the Company realized sales of 29 decares of agricultural land at an average price of BGN 380 per decare.

As of 31 March 2010 the Company has rental contracts for the economic year 2009-2010 of approximately 238,068 decares of agricultural land. The realized revenues from rent amount to BGN 1,396 thousand and are reported in the statement of comprehensive income.

In comparison, the rental contracts signed as of 31 March 2009 for the previous economic year 2008-2009 were for 180,087 decares of agricultural land and the income realized amounted to BGN 914 thousand.

5. RENT AND OTHER RECEIVABLES

| | As of 31.03.2010 | As of 31.03.2009 |
|--|---------------------|---------------------|
| Advances to brokers and partners | 774 | 589 |
| Receivables from rent, net depreciation | 3,331 | 2,215 |
| Advances to suppliers | 1,879 | 1,879 |
| Receivables from interest on deposits in BGN and EUR | 615 | 352 |
| Receivables from indemnities | 2 | 101 |
| Other | 111 | 77 |
| Total | <u>6,712</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 31.03.2010 | As of 31.03.2009 |
|-------------------------------|---------------------|---------------------|
| Cash on hand | 328 | 67 |
| Cash in BGN on demand account | 233 | 1,225 |
| Cash in BGN deposits | 8,583 | 5,156 |
| Cash in EUR deposits | 18,184 | 22,839 |
| Total | <u>27,328</u> | <u>29,287</u> |

7. CURRENT LIABILITIES

| | As of 31.03.2009 | As of 31.03.2008 |
|---|---------------------|---------------------|
| Liabilities to suppliers and brokers | 84 | 204 |
| Received advances | 92 | 35 |
| Liabilities to the servicing company (Note 9 and Note 11) | 599 | 859 |
| Dividend liability (Note 13) | 2,864 | 2,864 |
| Other | 9 | 24 |
| Total | <u>3,648</u> | <u>3,986</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)
 For the period ending on 31 March 2010
 All amounts are in BGN thousand, unless indicated otherwise

8. COSTS FOR EXTERNAL SERVICES

| | The period ending 31.03.2010 | The period ending 31.03.2009 |
|--|------------------------------------|---------------------------------|
| Remuneration of the servicing company | 599 | 567 |
| Costs for consultancy services | 3 | 3 |
| Costs for commissions | 69 | 64 |
| Costs for insurance of receivables | 20 | 6 |
| Annual fees | 3 | 2 |
| Advertising | 14 | 14 |
| Subsequent costs for management of the real estate | 25 | 15 |
| Costs for lawsuits | - | 3 |
| Other costs and charges | 6 | 8 |
| Total | <u>739</u> | <u>682</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 19.22%. According to the above contract Karoll Finance EOOD provides consultancy and administrative services and human resources services against an annual fee.

As of 01.10.2008 the service charge is calculated as follows:

- 0.375% of the value of the investment property of the Company according to acquisition price, 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 leasing, calculated at the end of each quarter;
- 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.

As of 31.03.2010 there have been no changes in the manner of calculation of the service fee.

The total amount of the fee according to the service contract amounts to BGN 599 thousand and BGN 567 thousand, as of 31 March 2010 and 31 March 2009, respectively.

10. REMUNERATION OF THE BOARD OF DIRECTORS AND MANAGEMENT

From the start of the reporting period to the end of March 2010 the Company paid remuneration amounting to BGN 17 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 – 31.03.2010**

| | 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 | 599 | 859 | 599 |
| | 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 | 77 | - | 164 |
| Remuss OOD | 140 | 36 | 11 | 165 |

14. INCOME PER SHARE

| | The period ending 31.03.2010 | The period ending 31.03.2009 |
|--|------------------------------------|---------------------------------|
| Net profit/loss (BGN thousand) | 1,023 | 1,172 |
| Daily average weighted number of share | 85,110,091 | 85,110,091 |
| Income per share (BGN) | 0.01 | 0.01 |

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.

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.

As of 31 December 2009 the Company has allocated dividend amounting to BGN 2,864 thousand (BGN 0.03365 per share), which is expected to be paid to the shareholders in 2010 following a decision of the General Assembly.

| | |
|--|----------------------------|
| Book loss, as per the income statement | Value (BGN thousand) |
| | <u>(3,224)</u> |
| <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> | 3,183 |
| Dividend to be allocated - 90% of the corrected financial result | 90% |
| Dividend liability | <u>2,864</u> |

14. MANAGEMENT OF THE FINANCIAL RISK

Credit risk

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 31 March 2010 | Under 1 month | 1-3 months | 3 months- 1 year |
|--|---------------|--------------|---------------------|
| FINANCIAL ASSETS | | | |
| Cash and cash equivalents | 4,344 | 9,623 | 13,361 |
| Advances to brokers and partners | 774 | - | - |
| Receivables from rent, net from depreciation | 839 | - | 2,492 |
| Advances to suppliers | - | - | 1,879 |
| Receivables from interest on deposits | 22 | 335 | 258 |
| Receivables from indemnities | 2 | - | - |
| Other receivables | - | - | 111 |
| Total financial assets | 5,981 | 9,958 | 18,101 |
| FINANCIAL LIABILITIES | | | |
| Received advances | - | - | 92 |
| Liabilities to suppliers and brokers | 84 | - | - |
| Liabilities to related companies | 599 | - | - |
| Liabilities to the budget | 3 | - | - |
| Liabilities to the personnel | 6 | - | - |
| Dividend liability | - | - | 2,864 |
| Other liabilities | - | - | - |
| Total financial liabilities | 692 | - | 2,956 |

14. MANAGEMENT OF THE FINANCIAL RISK (CONTINUED)

| As of 31 December 2009 | Under 1 month | 1-3 months | 3 months- 1 year |
|--|---------------|--------------|---------------------|
| FINANCIAL ASSETS | | | |
| 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 | | | |
| Received advances | - | - | 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 31 March 2010 | Under 1 month | 1-3 months | 3 months -1 year | 1-5 years | Non- interest bearing | Total |
|------------------------------------|------------------|--------------|---------------------|-----------|-----------------------------|---------------|
| Assets | | | | | | |
| Receivables from brokers | - | - | - | - | 774 | 774 |
| Receivables from rent and advances | - | - | - | - | 5,323 | 5,323 |
| Deposit interests | 22 | 335 | 258 | - | - | 615 |
| Cash on hand | - | - | - | - | 328 | 328 |
| Cash in banks | 4,016 | 9,623 | 13,361 | - | - | 27,000 |
| Total assets | 4,038 | 9,958 | 13,619 | - | 6,425 | 34,040 |

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period ending on 31 March 2010

All amounts are in BGN thousand, unless indicated otherwise

14. MANAGEMENT OF THE FINANCIAL RISK (CONTINUED)

| As of 31 March 2010 | Under 1 month | 1-3 months | 3 months -1 year | 1-5 years | Non-interest bearing | Total |
|--------------------------------------|---------------|------------|------------------|-----------|----------------------|-------|
| LIABILITIES | - | - | - | - | 84 | 84 |
| Liabilities to suppliers and brokers | - | - | - | - | 599 | 599 |
| Liabilities to related parties | - | - | - | - | 92 | 92 |
| Advances received | - | - | - | - | 2,864 | 2,864 |
| Dividend liability | - | - | - | - | 9 | 9 |
| Other | - | - | - | - | 3,648 | 3,648 |
| Total liabilities | - | - | - | - | 84 | 84 |

| 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 | - | - | - | - | 214 | 214 |
| Liabilities to suppliers and brokers | - | - | - | - | 328 | 328 |
| Liabilities to related parties | - | 3,470 | - | - | 30 | 3,500 |
| Advances received | - | - | - | - | 404 | 404 |
| Dividend liability | - | - | - | - | 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 31 March 2010 the financial assets and investments are denominated in BGN and EUR and under the conditions of an established currency board in the country the exchange rate of the BGN to the EUR is fixed and does not create currency risks. As of this date the Company has no exposure to currencies different from 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 needs and up to 20% in land in urbanized territories. The agricultural land is exposed to low risk 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 affects mainly real estate designated for building construction and is a result of the global financial crisis. The current situation cannot pose 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.

| | 31 March 2010 | | 31 March 2009 | |
|-----------------------------------|----------------|---|----------------|---|
| | Fair price | % of the net assets, valued at market price | Fair price | % of the net assets, valued at market price |
| Agricultural land | 103,693 | 82.92 | 102,548 | 82.76 |
| Property in urbanized territories | 18,081 | 14.46 | 18,081 | 14.59 |
| Property in regulation | 3,276 | 2.62 | 3,276 | 2.65 |
| Total | 125,050 | 100.00 | 123,905 | 100.00 |

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

On 05.03.2010 a preliminary contract for sale of 216 decares of agricultural land at BGN 525 per decare was signed. As of the date of drafting of the present statements and advance amounting to BGN 57 thousand was received. The final contract for sale of the above property has to be signed by 30.09.2010.

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 is obliged to sign a final contract by 14.09.2010 and pay the remainder of the purchase price amounting to BGN 1,879 thousand.

16. EVENTS AFTER THE END OF THE REPORTING PERIOD

With a Definition from 04.03.2010 of Regional Court Stara Zagora the lawsuit related to the partial right of ownership on regulated land in Stara Zagora was terminated. Currently a private appeal has been filed with the Provdiv Court of Appeal by the claimant against the Definition for termination.