

ADVANCE TERRAFUND REIT

INTERIM FINANCIAL STATEMENTS

30 September 2012

ADVANCE TERRAFUND REIT

STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2012

All amounts are given in BGN'000 unless indicated otherwise

	Note	As at 30.09.2012	As at 31.12.2011
ASSETS			
Investment property	4	131,959	156,087
Non-current assets held for sale	5	3,202	1,096
Rent and other receivables	6	6,774	4,608
Advances to suppliers		1,906	1,906
Cash and cash equivalents	7	<u>71,058</u>	<u>47,625</u>
TOTAL ASSETS		<u>214,899</u>	<u>211,322</u>
LIABILITIES			
Current liabilities	8	<u>3,566</u>	<u>20,946</u>
TOTAL LIABILITIES		<u>3,566</u>	<u>20,946</u>
NET ASSETS		<u>211,333</u>	<u>190,376</u>
EQUITY			
Share capital		85,110	85,110
Issue premiums		43,411	43,411
Retained profit		<u>82,812</u>	<u>61,855</u>
TOTAL EQUITY		<u>211,333</u>	<u>190,376</u>

The Financial Statements were approved by the Board of Directors and signed on behalf of Advance TerraFund REIT on 29 October 2012 by:

Radoslav Manolov
Executive Director

Yoana Georgieva
Chief Accountant

The enclosed Notes form integral part of these Financial Statements.

ADVANCE TERRAFUND REIT

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2012
All amounts are given in BGN'000 unless indicated otherwise

	Note	For the period ended 30.09.2012	For the period ended 30.09.2011
Income from interests		1,872	1,355
Income from sales and exchange of investment property		60,077	30,031
Carrying amount of property sold		<u>(35,123)</u>	<u>(17,008)</u>
		24,954	13,023
Income from lease and rent of investment property	4	4,514	4,388
Other income		<u>59</u>	<u>48</u>
OPERATING INCOME		<u>31,399</u>	<u>18,814</u>
Expenses on hired services	10	(8,297)	(5,086)
Payroll expenses		(84)	(84)
Loss on subsequent valuation of investment property, net	4	(28)	(68)
Financial expenses		(3)	(1)
Other expenses		<u>(41)</u>	<u>(12)</u>
OPERATING EXPENSES		<u>(8,453)</u>	<u>(5,251)</u>
NET PROFIT		<u>22,946</u>	<u>13,563</u>
Other comprehensive income		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME		<u>22,946</u>	<u>13,563</u>
Earnings per share (BGN)	14	<u>0.27</u>	<u>0.16</u>

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ADVANCE TERRAFUND REIT

CASH FLOW STATEMENT

FOR THE PERIOD ENDED 30 SEPTEMBER 2012

All amounts are given in BGN'000 unless indicated otherwise

	For the period ended 30.09.2012	For the period ended 30.09.2011
	<u> </u>	<u> </u>
CASH FLOW FROM OPERATING ACTIVITIES		
Purchase of investment property	(13,665)	(5,324)
Payments related to business counterparties	(1,903)	(1,251)
Proceeds from rent and sales	63,555	35,004
Payments related to salaries	(83)	(82)
Interests received	2,340	1,225
Other cash flow from core activities	<u>(5,891)</u>	<u>(3,360)</u>
TOTAL CASH FLOW FROM OPERATING ACTIVITIES	<u>44,353</u>	<u>26,212</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Cash flows related to payment of dividends	(20,917)	(4,085)
Other cash flow from financing activities	<u>(3)</u>	<u>(1)</u>
TOTAL CASH FLOW FROM FINANCING ACTIVITIES	<u>(20,920)</u>	<u>(4,086)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	23,433	22,126
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>47,625</u>	<u>23,317</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>71,058</u>	<u>45,443</u>

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ADVANCE TERRAFUND REIT

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 SEPTEMBER 2012

All amounts are given in BGN'000 unless indicated otherwise

	Share capital	Issue premiums	Retained earnings/(loss)	Total
BALANCE AS AT 1 JANUARY 2011	85,110	43,411	23,997	152,518
Total comprehensive income for 2011	-	-	57,232	57,232
Dividend (Note 15)	-	-	(19,374)	(19,374)
BALANCE AS AT 31 DECEMBER 2011	<u>85,110</u>	<u>43,411</u>	<u>61,855</u>	<u>190,376</u>
Total comprehensive income as at 30.09.2012	-	-	22,946	22,946
Dividend (Note 15)	-	-	(1,966)	(1,966)
Other changes	-	-	(23)	(23)
BALANCE AS AT 30 SEPT. 2012	<u>85,110</u>	<u>43,411</u>	<u>82,812</u>	<u>211,333</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 properties (securitization of real properties) through purchase of rights of ownership and other material rights on real properties 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 in 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 18.85% of the capital of Advance TerraFund REIT as at 30 September 2012, 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 2012 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 properties. The Company has the right to acquire ownership rights only on agricultural, urban and forest real properties located in the Republic of Bulgaria. As per the Statute of Advance TerraFund REIT adopted at the Foundation 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 properties, 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 properties 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 properties 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 properties.

The investment policy of the Company envisages investment of its raised capital in real properties 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.

The Law on Special Investment Purpose Vehicles requires valuation of the investment property of the Company at the end of each year. At the end of each financial year, the investment property is valued by a licensed independent valuer attested by the Ministry of Agriculture on the basis of Article 20, Paragraphs 1 and 2 of the Law on Special Investment Purpose Vehicles. For the valuation of the investment property of the Company as at 31 December 2011, the independent valuer used the fair market value model.

These 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 the date of the Statement of Financial Position, the amounts of income and expenses during the reporting period 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). The valuation was made in the conditions of a lack of representative and official agricultural market information for 2011, including price levels of agricultural land, rental levels and yields by region, etc.

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.

3. KEY ELEMENTS OF THE ACCOUNTING POLICY (CONTINUED)

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 Statement of Comprehensive Income as profit or loss for the year.

At the end of each financial year, the investment property is valued by a licensed independent valuer.

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

Non-current assets held for sale

The Company classifies a non-currents asset as held for sale when its carrying amount will be recovered through sale rather than through continuing use. In order for this to be the case, the asset must be available for immediate sale in its present condition and the sale is likely to be implemented within 12 months. These assets are presented separately in the Statement of Financial Position.

The Company measures an asset classified as held for sale at the lower of its carrying amount immediately after their designation as held for sale and its fair value less sale costs.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and current accounts and bank deposits 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 immaterial loss of value. These deposits are convertible into cash without a written notice and without the Company being charged indemnities for early termination.

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. Financial assets include financial assets reported at fair value in the profit or loss, credits and receivables held till maturity and financial assets available for sale. Financial assets reported at fair value in the profit or loss are subsequently measured at fair value where the changes in the fair value are reported as income or expenses in the Statement of Comprehensive Income. Financial assets available for sale are measured at fair value where the changes in the fair value are reported in equity. 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 credits, are initially measured at fair value, net of transaction costs.

3. KEY ELEMENTS OF THE ACCOUNTING POLICY (CONTINUED)

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 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 an asset is determined and depreciation loss is reported.

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 the date of the Statement of Financial Position 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 Statement of Comprehensive Income as profit or loss for the period of their origination.

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.

Income from rent

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

Income from interests

Income from interests on deposits is currently reported in the Statement of Comprehensive Income 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE PERIOD ENDED 30 SEPTEMBER 2012
 All amounts are given in BGN'000 unless indicated otherwise

4. INVESTMENT PROPERTY

	Agricultural land	Properties in regulation	Properties as to which there are lawsuits initiated	Other	Total
Carrying amount					
As at 1 January 2011	109,070	17,661	1,161	35	127,927
Acquired during the year	9,817	-	-	4	9,821
Written off during the year	(20,327)	-	(19)	-	(20,346)
Claims filed	(69)	-	69	-	-
Claims terminated	-	1,142	(1,142)	-	-
Classified as assets held for sale	(1,096)	-	-	-	(1,096)
As at 31 December 2011	<u>97,395</u>	<u>18,803</u>	<u>69</u>	<u>39</u>	<u>116,306</u>
Subsequent valuation to fair value	43,243	(3,393)	(69)	-	39,781
As at 31 December 2011	<u>140,638</u>	<u>15,410</u>	<u>-</u>	<u>39</u>	<u>156,087</u>
Carrying amount					
As at 1 January 2012	140,638	15,410	-	39	156,087
Acquired during the period	13,103	-	-	26	13,129
Written off during the period	(34,027)	-	-	-	(34,027)
Claims filed	(47)	-	47	-	-
Claims terminated	19	-	(19)	-	-
Classified as assets held for sale	(3,202)	-	-	-	(3,202)
As at 30 September 2012	<u>116,484</u>	<u>15,410</u>	<u>28</u>	<u>65</u>	<u>131,987</u>
Subsequent valuation to fair value	-	-	(28)	-	(28)
As at 30 September 2012	<u>116,484</u>	<u>15,410</u>	<u>-</u>	<u>65</u>	<u>131,959</u>

The fair value of the properties as to which there are lawsuits initiated is determined as follows:

	Fair value
As at 31 December 2011	69
Adjustment for events related to lawsuits	(69)
Adjusted as at 31 December 2011	-
As at 30 September 2012	28
Adjustment for events related to lawsuits	(28)
Adjusted as at 30 September 2012	-

4. INVESTMENT PROPERTY (CONTINUED)

According to data provided by the legal team, the lawsuits against the Company affecting fully or partially the ownership right on 192 decares of agricultural land will be lost and, therefore, as at 30 September 2012 the fair value of such property is adjusted by BGN 71 thousand to zero.

As at 30 September 2012, the Company has signed rental agreements for economic year 2011-2012 for approximately 222,086 decares of agricultural land. The realized income from rent, amounting to BGN 4,514 thousand, is reported in the Statement of Comprehensive Income.

For comparison, the rental agreements signed as at 30 September 2011 for economic year 2010-2011 were for 244,168 decares of agricultural land with income realized from them amounting to BGN 4,388 thousand.

From the beginning of the reporting period to the end of September 2012, the Company realized the sale of 69 315 decares of agricultural land at an average price of BGN 869 per decare.

In 2012, four more lawsuits against the Company regarding the right of ownership of 188 decares of agricultural land in three regions of the district of Vratsa and one region in the district of Silistra were closed. The purchase of eight properties was declared null and void and the title deed was revoked accordingly. The Company lost all ownership rights on these properties and, for this reason, they are written off at carrying amount (BGN 73 thousand) from the property owned at the end of the period.

5. NON-CURRENT ASSETS HELD FOR SALE

As at 30 September 2012, the Company has signed preliminary agreements for sale of 6 393 decares of agricultural land, which it classified as non-current assets held for sale with carrying amount of BGN 3,202 thousand.

6. RENT AND OTHER RECEIVABLES

	As at 30.09.2012	As at 31.12.2011
Advances to brokers and counterparties	1,645	960
Rent receivables, net of depreciation	4,508	2,490
Receivable interests on deposits in BGN and EUR	564	1,056
Receivables indemnities	2	53
Court and awarded receivables	30	35
Other	25	14
Total	<u>6,774</u>	<u>4,608</u>

Advance TerraFund REIT has ascertained a direct dependence of its collection of rent receivables from agricultural producers on the process of their subsidization.

The outstanding rent receivables total BGN 531 thousand and BGN 334 thousand as at 30.09.2012 and 31.12.2011 respectively.

6. RENT AND OTHER RECEIVABLES (CONTINUED)

On 14 September 2009, Advance TerraFund REIT signed a preliminary agreement for purchase of landed property of 38 decares in the region Veliko Tarnovo. By virtue of this agreement, the Company has made a prepayment of BGN 1,879 thousand.

7. CASH AND CASH EQUIVALENTS

	As at 30.09.2012	As at 31.12.2011
Cash in hand	125	179
Cash in current account in BGN	3,326	394
Deposits in BGN	67,607	42,045
Deposits in EUR	-	5,007
Total	<u>71,058</u>	<u>47,625</u>

8. CURRENT LIABILITIES

	As at 30.09.2012	As at 31.12.2011
Payables to suppliers and brokers	550	110
Advances received	1,189	309
Payables to the servicing company (Note 13)	1,751	1,196
Payable dividend (Note 15)	35	19,314
Other	41	17
Total	<u>3,566</u>	<u>20,946</u>

9. SHARE CAPITAL

	Number of shares	Nominal value in BGN	Share capital
As at 01.01.2011	85,110	1	85,110
Shares issued in 2011	-	-	-
As at 31.12.2011	85,110	1	85,110
Shares issued in 2012	-	-	-
As at 30.09.2012	<u>85,110</u>	<u>1</u>	<u>85,110</u>

10. EXPENSES ON HIRED SERVICES

	Period ended 30.09.2012	Period ended 30.09.2011
Remuneration of the servicing company	6,139	3,578
Expenses on consulting services	32	32
Expenses on commissions	1,794	1,182
Expenses on receivables insurance	7	89
Annual fees	15	13
Advertising	30	23
Subsequent expenses on property management	242	136
Other expenses and fees	38	33
Total	<u>8,297</u>	<u>5,086</u>

11. SERVICE AGREEMENT

The Company has a service agreement with Karoll Finance EOOD, which holds an interest of 18.85% of the share capital of the Company. According to the said agreement, Karoll Finance EOOD renders consulting, administrative and human resources services for an annual fee, which is calculated as follows:

1. 0.375% of the value of the investment property of the Company as per acquisition cost, payable for each quarter;
2. 10% of the receivables of the Company from rent and lease, calculated at the end of each quarter;
3. 10% of the difference between the selling 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 2012 and 30 September 2011 amount to BGN 6,139 thousand and BGN 3,578 thousand respectively.

12. REMUNERATIONS OF THE BOARD OF DIRECTORS AND THE MANAGEMENT

From the beginning of the reporting period to the end of September 2012, the Company paid remunerations totalling BGN 51 thousand to the directors and the Management of the Company that have not changed since 2011.

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

13. RELATED PARTY TRANSACTIONS

For the period 01.01.2012 – 30.09.2012

	<u>Payable at the beginning of the period</u>	<u>Charged during the period</u>	<u>Paid during the period</u>	<u>Payable at the end of the period</u>
Consulting services				
Karoll Finance EOOD (a servicing company under the Law on Special Investment Purpose Vehicles)	1,196	6,139	5,584	1,751
	<u>Receivable at the beginning of the period</u>	<u>Charged during the period</u>	<u>Received during the period</u>	<u>Receivable at the end of the period</u>
Leases				
Agro Terra Sever AD (a company under common control)	301	220	228	293
Remuss OOD (a company under common control)	184	125	-	309

13. RELATED PARTY TRANSACTIONS (CONTINUED)**For the period 01.01.2011 – 30.09.2011**

Consulting services by the servicing company under the Law on Special Investment Purpose Vehicles	Payable at the beginning of the period	Charged during the period	Paid during the period	Payable at the end of the period
Karoll Finance EOOD (a servicing company under the Law on Special Investment Purpose Vehicles)	831	3,578	3,253	1,156
Leases	Receivable at the beginning of the period	Charged during the period	Received during the period	Receivable at the end of the period
Agro Terra Sever AD (a company under common control)	268	170	210	228
Remuss OOD (a company under common control)	252	113	223	142

14. EARNINGS PER SHARE

	Period ended 30.09.2012	Period ended 30.09.2011
Net profit/(loss)	22,946	13,563
Weighted average number of share based on days	85,110,091	85,110,091
Earnings per share (BGN)	0.27	0.16

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.

15. DIVIDEND PER SHARE

As per Article 10 of the Law on Special Investment Purpose Vehicles, 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 said Law.

Based on a decision made by General Meeting of Shareholders at a regular annual session held on 17 May 2012, the Company has allocated a dividend of BGN 21,277 thousand (BGN 0.25 per share) for 2011.

Accounting profit reported in the Statement of Comprehensive Income	Value (BGN'000)
	<u>57,232</u>
<i>Adjustment for:</i>	
Income from subsequent property valuation, net (Article 10, Paragraph 3, Item 1 of the Law on Special Investment Purpose Vehicles)	(39,564)
Gains on property ownership transfers (Article 10, Paragraph 3, Item 2 of the Law on Special Investment Purpose Vehicles)	(16,487)
Difference between the property selling price and historical cost (Article 10, Paragraph 3, Item 3 of the Law on Special Investment Purpose Vehicles)	20,276
<i>Adjusted financial result</i>	21,457
Dividend to be allocated	<u>99,16 %</u>
Payable dividend	<u>21,277</u>

15. DIVIDEND PER SHARE (CONTINUED)

The Board of Directors of the Company has determined the following terms and conditions as to the dividend payment for 2011:

1. Gross dividend per share – BGN 0.25;
2. Net dividend per share for shareholders who are individuals – BGN 0.2375;
3. Commercial bank selected to execute dividend payment – UBB AD;
4. Date as at which the shareholders composition in compliance with the requirements of the Law on Public Offering of Securities is to be determined – 31.05.2012;
5. Dividend payment procedure:
 - 5.1. Dividends due to shareholders, holding securities accounts entered into Registry A of Central Depository AD (personal accounts), are to be paid through the branches of UBB AD;
 - 5.2. Dividends due to shareholders, holding securities accounts entered into Registry B of Central Depository AD (client subaccounts at investment intermediaries), are to be paid through the particular investment intermediaries in cooperation with Central Depository AD;
6. Initial date for dividend payment – 20.06.2012;
7. Final date for dividend payment – 20.09.2012;
8. After the final date for dividend payment, within the five-year period of limitation, a shareholder who has not received its dividend for 2011 may receive it from the Company in cash or via bank transfer following an explicit request sent to the following management address of the Company: 1 Zlatovrah Street, Region of Lozenets, Sofia or by the following fax: +359 2 4008331. Following the five-year period of limitation, all non-received and non-requested dividends are to be taken to the Reserve Fund of the Company.

The Company has reported unpaid dividends for 2011, 2010 and 2009 totalling BGN 31,630.95, BGN 3,289.40 and BGN 207.64 as at 30 September 2012.

16. FINANCIAL RISK MANAGEMENT

The activity of the Company is exposed to various financial risks: credit risk, interest rate risk, liquidity risk and market risk (including currency and price risks).

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE PERIOD ENDED 30 SEPTEMBER 2012
 All amounts are given in BGN'000 unless indicated otherwise

16. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Up to 1 month	1 month to 3 months	3 months to 1 year
As at 30 September 2012			
FINANCIAL ASSETS			
Cash and cash equivalents	11,955	8,562	50,541
Advances to brokers and counterparties	-	1,645	-
Rent receivables, net of depreciation	4,508	-	-
Advances to suppliers	-	-	1,906
Receivable interests on deposits	64	49	451
Receivable indemnities	2	-	-
Court and awarded receivables	30	-	-
Other receivables	-	-	25
Total financial assets	16,559	10,256	52,923
FINANCIAL LIABILITIES			
Advances received	1,062	47	80
Payables to suppliers and brokers	550	-	-
Payables to related parties	1,751	-	-
Payable dividend	35	-	-
Other payables	-	41	-
Total financial liabilities	3,398	88	80
As at 31 December 2011			
FINANCIAL ASSETS			
Cash and cash equivalents	5,073	10,545	32,007
Advances to brokers and counterparties	-	960	-
Rent receivables, net of depreciation	866	-	1,624
Advances to suppliers	-	-	1,906
Receivable interests on deposits	195	234	627
Receivable indemnities	-	53	-
Court and awarded receivables	-	35	-
Other receivables	-	-	14
Total financial assets	6,134	11,827	36,178
FINANCIAL LIABILITIES			
Advances received	-	278	31
Payables to suppliers and brokers	110	-	-
Payables to related parties	1,196	-	-
Payable dividend	3	-	19,311
Other payables	17	-	-
Total financial liabilities	1,326	278	19,342

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 30 SEPTEMBER 2012
All amounts are given in BGN'000 unless indicated otherwise

16. FINANCIAL RISK MANAGEMENT (CONTINUED)*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 2012	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	-	-	-	-	1,645	1,645
Other receivables and advances	-	-	-	-	6,471	6,471
Interests on deposits	64	49	451	-	-	564
Cash in hand	-	-	-	-	125	125
Cash at banks	11,830	8,562	50,541	-	-	70,933
Total assets	11,894	8,611	50,992	-	8,241	79,738
Liabilities						
Payables to suppliers and brokers	-	-	-	-	550	550
Payables to related parties	-	-	-	-	1,751	1,751
Advances received	-	-	-	-	1,189	1,189
Payable dividend	-	-	-	-	35	35
Other	-	-	-	-	41	41
Total liabilities	-	-	-	-	3,566	3,566
As at 31 December 2011						
Assets						
Receivables from brokers	-	-	-	-	960	960
Other receivables and advances	-	-	-	-	4,498	4,498
Interests on deposits	195	234	627	-	-	1,056
Cash in hand	-	-	-	-	179	179
Cash at banks	4,894	10,545	32,007	-	-	47,446
Total assets	5,089	10,779	32,634	-	5,637	54,139
Liabilities						
Payables to suppliers and brokers	-	-	-	-	110	110
Payables to related parties	-	-	-	-	1,196	1,196
Advances received	-	-	-	-	309	309
Payable dividend	-	-	-	-	19,314	19,314
Other	-	-	-	-	17	17
Total liabilities	-	-	-	-	20,946	20,946

16. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 2012 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 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.

The Company invests a minimum of 80% of its portfolio in land designated for agricultural purposes and up to 20% in land in urbanized territories. The agricultural land is exposed to low risk of changes in prices and rent due to the interest of agricultural producers and other investors in real properties therein. The potential reduction of the prices of agricultural land is favourable for the investment policy of the Company and the fixed increases of the rental price as compared to the previous year increase the profitability of the investments. The increased risk in the segment affects mainly real properties designated for building construction and is a result of the global financial crisis. This situation has no 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.

Investment portfolio structure:

	30 September 2012		31 December 2011	
	Fair value	% of the net assets measured at market price	Fair value	% of the net assets measured at market price
Agricultural land	116,549	88.32	140,677	90.13
Properties in urbanized territories	12,319	9.34	12,319	7.89
Properties in regulation	3,091	2.34	3,091	1.98
Total	<u>131,959</u>	<u>100.00</u>	<u>156,087</u>	<u>100.00</u>

16. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 2011. The capital structure consists of cash and cash equivalents and equity (see Notes 7 and 9).