

ADVANCE TERRAFUND REIT

INTERIM FINANCIAL STATEMENTS

30 June 2014

ADVANCE TERRAFUND REIT

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

All amounts are given in BGN thousands unless indicated otherwise

	Note	As at 30.06.2014	As at 31.12.2013
ASSETS			
Investment property	4	148,397	159,862
Non-current assets held for sale	5	12,832	4,008
Rent and other receivables	6	6,089	4,657
Advances to suppliers	7	564	564
Cash and cash equivalents	8	41,482	64,059
TOTAL ASSETS		209,364	233,150
LIABILITIES			
Current liabilities	9	5,203	33,164
Provisions		100	100
TOTAL LIABILITIES		5,303	33,264
NET ASSETS		204,061	199,886
EQUITY			
Share capital	10	85,110	85,110
Issue premiums		43,411	43,411
Retained profit		75,540	71,365
TOTAL EQUITY		204,061	199,886

The Financial Statements were approved by the Board of Directors and signed on behalf of Advance TerraFund REIT on 21 July 2014 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 JUNE 2014

All amounts are given in BGN thousands unless indicated otherwise

	Note	For the period ended 30.06.2014	For the period ended 30.06.2013
Income from interests		941	1,670
Income from sales and exchange of investment property		17,337	5,471
Carrying amount of property sold		<u>(10,161)</u>	<u>(3,440)</u>
		7,176	2,031
Income from lease and rent of investment property	4	2,798	2,833
Other income		<u>53</u>	<u>15</u>
OPERATING INCOME		<u>10,968</u>	<u>6,549</u>
Expenses on hired services	11	(3,292)	(1,802)
Payroll expenses		(59)	(58)
Loss on subsequent valuation of investment property		(20)	-
Financial expenses		(1)	(1)
Other expenses		<u>(5)</u>	<u>(61)</u>
OPERATING EXPENSES		<u>(3,377)</u>	<u>(1,922)</u>
NET PROFIT		<u>7,591</u>	<u>4,627</u>
Other comprehensive income		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME		<u>7,591</u>	<u>4,627</u>
Earnings per share (BGN)	15	0.09	0.05

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ADVANCE TERRAFUND REIT

CASH FLOW STATEMENT

FOR THE PERIOD ENDED 30 JUNE 2014

All amounts are given in BGN thousands unless indicated otherwise

	For the period ended 30.06.2014	For the period ended 30.06.2013
CASH FLOW FROM OPERATING ACTIVITIES		
Purchase of investment property	(7,980)	(6,620)
Payments related to business counterparties	(839)	(694)
Proceeds from rent and sales	21,050	10,107
Payments related to salaries	(61)	(47)
Interests received	1,296	2,131
Other cash flow from core activities	(2,597)	(2,604)
TOTAL CASH FLOW FROM OPERATING ACTIVITIES	<u>10,869</u>	<u>2,273</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Cash flows related to payment of dividends	(33,445)	(41,402)
Other cash flow from financing activities	(1)	(1)
NET CASH FLOW USED FOR FINANCING ACTIVITIES	<u>(33,446)</u>	<u>(41,403)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(22,577)	(39,130)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>64,059</u>	<u>76,018</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>8</u> <u>41,482</u>	<u>36,888</u>

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ADVANCE TERRAFUND REIT

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2014

All amounts are given in BGN thousands unless indicated otherwise

	Share capital	Issue premiums	Retained earnings/(loss)	Total
BALANCE AS AT 1 JANUARY 2013	85,110	43,411	71,277	199,798
Total comprehensive income as at 2013	-	-	4,627	4,627
Dividend (Note 16)	-	-	(4,172)	(4,172)
Other comprehensive income	-	-	-	-
BALANCE AS AT 30 JUNE 2013	85,110	43,411	71,732	200,253
BALANCE AS AT 1 JANUARY 2014	85,110	43,411	71,365	199,886
Total comprehensive income as at 30 June 2014	-	-	7,591	7,591
Dividend (Note 16)	-	-	(3,385)	(3,385)
Other changes	-	-	(31)	(31)
Other comprehensive income	-	-	-	-
BALANCE AS AT 30 JUNE 2014	85,110	43,411	75,540	204,061

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Yoana Georgieva
Chief Accountant

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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 18.60% of the capital of Advance TerraFund REIT as at 30 June 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 June 2014 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 2013, 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.

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.

3. KEY ELEMENTS OF THE ACCOUNTING POLICY (CONTINUED)

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. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 30 JUNE 2014

All amounts are given in BGN thousand unless indicated otherwise

3. KEY ELEMENTS OF THE ACCOUNTING POLICY (CONTINUED)**Income from interests on deposits**

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.

4. INVESTMENT PROPERTY

	Agricultural land	Properties in regulation	Properties as to which there are lawsuits initiated	Other	Total
Carrying amount					
As at 1 January 2013	140,998	14,642	161	65	155,866
Acquired during the year	20,018	-	-	228	20,246
Written off during the year	(26,219)	-	(12)	(48)	(26,279)
Claims filed	-	-	-	-	-
Claims terminated	-	-	-	-	-
Classified as assets held for sale	(4,008)	-	-	-	(4,008)
As at 31 December 2013	<u>130,789</u>	<u>14,642</u>	<u>149</u>	<u>245</u>	<u>145,825</u>
Subsequent valuation to fair value	14,091	(54)	-	-	14,037
As at 31 December 2013	<u>144,880</u>	<u>14,588</u>	<u>149</u>	<u>245</u>	<u>159,862</u>
Carrying amount					
As at 1 January 2014	144,880	14,588	149	245	159,862
Acquired during the period	7,537	-	-	5	7,542
Written off during the period	(6,155)	-	-	-	(6,155)
Claims filed	(34)	-	34	-	-
Claims terminated	-	-	-	-	-
Classified as assets held for sale	(12,832)	-	-	-	(12,832)
As at 30 June 2014	<u>133,396</u>	<u>14,588</u>	<u>183</u>	<u>250</u>	<u>148,418</u>
Subsequent valuation to fair value	-	-	(20)	-	(20)
As at 30 June 2014	<u>133,396</u>	<u>14,588</u>	<u>163</u>	<u>250</u>	<u>148,397</u>

According to information acquired by the team of attorneys, the lawsuits filed against the Company regarding partially or fully the title over 660 decares of agricultural land are most likely to be lost and for that reason, as at 30 June 2014, the fair value of these properties was adjusted by BGN 176 thousand.

4. INVESTMENT PROPERTY (CONTINUED)

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

	Fair value
As at 30 June 2014	339
Adjustment for events related to lawsuits	(176)
Adjusted as at 30 June 2014	163

As at 30 June 2014, the Company has signed rental agreements for economic year 2013-2013 for approximately 156,508 decares of agricultural land. The realized income from rent, amounting to BGN 2,798 thousand, is reported in the Statement of Comprehensive Income. For comparison, the rental agreements signed as at 30 June 2013 for economic year 2012-2013 were for 186,756 decares of agricultural land with income realized from them amounting to BGN 2,833 thousand.

From the beginning of the reporting period to the end of June 2014, the Company realized the sale of 15,125 decares of agricultural land at an average price of BGN 1,146 per decare.

5. NON-CURRENT ASSETS HELD FOR SALE

As at 30 June 2014, the Company has signed preliminary agreements for sale of 17,221 decares of agricultural land, which it classified as non-current assets held for sale with carrying amount of BGN 12,832 thousand.

The Company has classified these properties as non-current assets held for sale as follows:

	As at 30.06.2014	As at 31.12.2013
Non-current assets held for sale	12,832	4,008
Total	12,832	4,008

6. RENT AND OTHER RECEIVABLES

	As at 30.06.2014	As at 31.12.2013
Advances to brokers and counterparties	1,711	1,197
Rent receivables, net of depreciation	3,953	2,662
Receivable interests on deposits in BGN and EUR	344	729
Receivables indemnities	2	2
Court and awarded receivables	72	54
Other	7	13
Total	6,089	4,657

6. RENT AND OTHER RECEIVABLES (CONTINUED)

The outstanding rent receivables total BGN 928 thousand and BGN 529 thousand as at 30 June 2014 and 31 December 2012 respectively.

As at 30 June 2014 the Company has collected as advance payment over 29 % of its receivables on signed contracts for lease for the current economic year 2013-2014.

7. ADVANCE PAYMENTS TO SUPPLIERS

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

Due to a substantial delay, the implementation of part of the mandatory provisions for signing a final agreement for purchase of the property, the Company negotiated with the sellers and reached an agreement on termination of the contract. Pursuant to an agreement signed on 25 April 2012, the contract was terminated by mutual agreement and the seller agreed to return to Advance Terrafund REIT the advance payment to the amount of BGN 1,879 thousand as well as a compensation to the amount of BGN 100 thousand.

As at the end of the reporting period, there are still no payments made on this agreement, therefore the Company shall perform an impairment of the advance payment as follows:

	As at 31.06.2014	As at 31.12.2013
Balance at the start of the period	564	1,316
Calculated impairment	-	(752)
Balance at the end of the period	<u>564</u>	<u>564</u>

As of 31 June 2014 the total value of the advance payments to company suppliers amounts to BGN 564 thousand which marks no change since the end of 2013.

8. CASH AND CASH EQUIVALENTS

	As at 30.06.2014	As at 31.12.2013
Cash in hand	28	36
Cash in current account in BGN	29,454	1,514
Deposits in BGN	12,000	62,509
Total	<u>41,482</u>	<u>64,059</u>

9. CURRENT LIABILITIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 30 JUNE 2014
All amounts are given in BGN thousand unless indicated otherwise

	As at 30.06.2014	As at 31.12.2013
Payables to suppliers and brokers	310	226
Advances received	3,576	1,467
Payables to the servicing company (Note 14)	773	882
Payable dividend (Note 16)	37	30,586
Tax liabilities	491	-
Other	16	3
Total	<u>5,203</u>	<u>33,164</u>

10. SHARE CAPITAL

	Number of shares	Nominal value in BGN	Share capital
As at 01.01.2013	85,110	1	85,110
Shares issued in 2013	-	-	-
As at 31.12.2013	85,110	1	85,110
Shares issued in 2014	-	-	-
As at 30.06.2014	<u>85,110</u>	<u>1</u>	<u>85,110</u>

11. EXPENSES ON HIRED SERVICES

	Period ended 30.06.2014	Period ended 30.06.2013
Expenses on consulting services (see Note 11A)	2,458	1,474
Expenses on commissions	653	233
Annual fees	12	11
Advertising	16	23
Subsequent expenses on property management	111	24
Other expenses and fees	42	37
Total	<u>3,292</u>	<u>1,802</u>

11A. EXPENSES ON CONSULTING SERVICES

	Period ended 30.06.2014	Period ended 30.06.2013
Remuneration of the servicing company (Notes 12 and 14)	2,432	1,453
Expenses on auditing services	2	2
Expenses on valuation services	15	15
Other consulting services	9	4
Total	<u>2,458</u>	<u>1,474</u>

12. SERVICE AGREEMENT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 30 JUNE 2014

All amounts are given in BGN thousand unless indicated otherwise

The Company has a service agreement with Karoll Finance EOOD, which holds an interest of 18.60% 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 June 2014 and 30 June 2013 amount to BGN 2,432 thousand and BGN 1,453 thousand respectively (See Note 14).

13. REMUNERATIONS OF THE BOARD OF DIRECTORS AND THE MANAGEMENT

From the beginning of the reporting period to the end of June 2014, the Company paid remunerations totalling BGN 34 thousand to the Directors and the Management of the Company that have not changed since 2013.

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

14. RELATED PARTY TRANSACTIONS

For the period 01.01.2014 – 30.06.2014

	<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)	882	2,432	2,541	773
Leases				
Agro Terra Sever AD (a company under common control)	436	157	-	593
Remuss OOD (a company under common control)	202	19	-	221

14. RELATED PARTY TRANSACTIONS (CONTINUED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 30 JUNE 2014
All amounts are given in BGN thousand unless indicated otherwise

For the period 01.01.2013 – 30.06.2013

Consulting services by the servicing company under the Law on Special Investment Purpose Vehicles	<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>
Karoll Finance EOOD (a servicing company under the Law on Special Investment Purpose Vehicles)	1,008	1,453	1,977	484
Leases	<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>
Agro Terra Sever AD (a company under common control)	383	179	-	562
Remuss OOD (a company under common control)	215	96	-	311

15. EARNINGS PER SHARE

	<u>Period ended 30.06.2014</u>	<u>Period ended 30.06.2013</u>
Net profit/(BGN thousand)	7,591	4,627
Weighted average number of share based on days	85,110,091	85,110,091
Earnings per share (BGN)	0.09	0.05

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

16. 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 14 May 2014, the Company has allocated a dividend of BGN 33,865 thousand (BGN 0.3979 per share) for 2013.

16. DIVIDEND PER SHARE (CONTINUED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 30 JUNE 2014
All amounts are given in BGN thousand unless indicated otherwise

The dividend amount for 2013 was determined as follows:

	Year ended on 31.12.2013
Accounting profit reported in the Statement of Comprehensive Income	<u>34,740</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)	(14,037)
Gains on property ownership transfers (Article 10, Paragraph 3, Item 2 of the Law on Special Investment Purpose Vehicles)	(22,010)
Difference between the property selling price and historical cost (Article 10, Paragraph 3, Item 3 of the Law on Special Investment Purpose Vehicles)	35,174
<i>Adjusted financial result</i>	33,867
Dividend to be allocated as per decision of the GM of shareholders - 99.99 % of the adjusted financial result	<u>33,865</u>
Dividend payable as at 31.12.2013 - 90% of the adjusted financial result	<u>(30,480)</u>
Dividend payable for additional accrual in 2014	<u><u>3,385</u></u>

The Board of Directors of the Company has determined the following terms and conditions as to the dividend payment for 2013:

1. Gross dividend per share – BGN 0.3979;
2. Net dividend per share for shareholders who are individuals – BGN 0.378;
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 – 28.05.2014;
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 – 23.06.2014;
7. Final date for dividend payment – 23.09.2014;
8. After the final date for dividend payment, within the five-year period of limitation, a shareholder who has not received its dividend for 2013 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 2012, 2011 and 2010 totalling BGN 37 thousand.

17. FINANCIAL RISK MANAGEMENT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2014

All amounts are given in BGN thousand unless indicated otherwise

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.

As at 30 June 2014

FINANCIAL ASSETS	Under 1 month	1-3 months	3 months-1 year	Total
Cash and cash equivalents	29,482	3,000	9,000	41,482
Receivables from rent, net from depreciation	928	-	3,025	3,953
Advances to suppliers	-	-	564	564
Receivables from interest on deposits	-	136	208	344
Receivables from indemnities	-	-	2	2
Court and adjudicated receivables	-	-	72	72
Other receivables	-	-	7	7
Total financial assets	<u>30,410</u>	<u>3,136</u>	<u>12,878</u>	<u>46,424</u>
FINANCIAL LIABILITIES	Under 1 month	1-3 months	3 months-1 year	Total
Received advances	1,508	1,882	186	3,576
Liabilities to suppliers and brokers	310	-	-	310
Liabilities to related companies	773	-	-	773
Dividend liability	37	-	-	37
Other liabilities	493	-	14	507
Total financial liabilities	<u>3,121</u>	<u>1,882</u>	<u>200</u>	<u>5,203</u>

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

ADVANCE TERRAFUND REIT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2014

All amounts are given in BGN thousand unless indicated otherwise

As of 31 December 2013

FINANCIAL ASSETS	Under 1 month	1-3 moths	3 months-1 year	Total
Cash and cash equivalents	1,550	7,000	55,509	64,059
Receivables from rent, net from depreciation	1,472	-	1,190	2,662
Advances to suppliers	-	-	564	564
Receivables from interest on deposits	-	179	550	729
Receivables from indemnities	-	-	2	2
Court and adjudicated receivables	-	-	54	54
Other receivables	-	-	13	13
Total financial assets	3,022	7,179	57,882	68,083

FINANCIAL LIABILITIES	Under 1 month	1-3 months	3 months-1 year	Total
Received advances	59	57	1,351	1,467
Liabilities to suppliers and brokers	167	59	-	226
Liabilities to related companies	882	-	-	882
Dividend liability	106	-	30,480	30,586
Other liabilities	3	-	-	3
Total financial liabilities	1,217	116	31,831	33,164

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 June 2014	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	No-interest bearing	Total
Assets						
Other receivables and advances	-	-	-	-	4,598	4,598
Interests on deposits	-	136	208	-	-	344
Cash in hand	-	-	-	-	28	28
Cash at banks	29,454	3,000	9,000	-	-	41,454
Total assets	29,454	3,136	9,208	-	4,626	46,424
Liabilities						
Payables to suppliers and brokers	-	-	-	-	310	310
Payables to related parties	-	-	-	-	773	773
Advances received	-	-	-	-	3,576	3,576
Payable dividend	-	-	-	-	37	37
Other	-	-	-	-	507	507
Total liabilities	-	-	-	-	5,203	5,203

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 30 JUNE 2014

All amounts are given in BGN thousand unless indicated otherwise

As at 31 December 2013	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						
Other receivables and advances	-	-	-	-	3,295	3,295
Interests on deposits	-	179	550	-	-	729
Cash in hand	-	-	-	-	36	36
Cash at banks	1,514	7,000	55,509	-	-	64,023
Total assets	1,514	7,179	56,059	-	3,331	68,083
Liabilities						
Payables to suppliers and brokers	-	-	-	-	226	226
Payables to related parties	-	-	-	-	882	882
Advances received	-	-	-	-	1,467	1,467
Payable dividend	-	-	-	-	30,586	30,586
Other	-	-	-	-	3	3
Total liabilities	-	-	-	-	33,164	33,164

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 June 2014 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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2014

All amounts are given in BGN thousand unless indicated otherwise

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

Investment portfolio structure:

	30 June 2014		31 December 2013	
	Fair value	% of the net assets measured at market price	Fair value	% of the net assets measured at market price
Agricultural land	133,809	90.17	145,274	90.87
Properties in urbanized territories	11,696	7.88	11,696	7.32
Properties in regulation	2,892	1.95	2,892	1.81
Total	<u>148,397</u>	<u>100.00</u>	<u>159,862</u>	<u>100.00</u>

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 2014. The capital structure consists of cash and cash equivalents and equity (see Notes 8 and 10).