

MINUTES

from the meeting of the Board of Directors of Advance Terrafund REIT

Today, 3 April 2014 in Sofia a meeting of the Board of Directors of Advance Terrafund REIT took place, attended by the members of the Board of Directors as follows:

1. **Borislav Vitanov Petkov** – Chairperson of the Board of Directors;
2. **Radoslav Iliev Manolov** – Executive Director;
3. **Nencho Ivanov Penev**

All members of the Board of Directors attend personally; therefore the meeting is legal and can make decisions.

The meeting was held as per the following Agenda:

- 1 Discussion of the issue of the convocation of the General Assembly of the shareholders.
2. Miscellaneous;

After a discussion of the items of the Agenda the Board of Directors of Advance Terrafund REIT UNANIMOUSLY

DECIDED:

I. The Board of Directors of Advance Terrafund REIT, pursuant to Article 223, paragraph 1, proposal one, convenes a regular General Assembly of the shareholders of the Company holders of ordinary registered voting shares to be held on 14 May 2014 at 1 Zlatovruh Str., Sofia, 12:00 p.m.

II. The General Assembly will be held under the following ***Agenda:***

1. Report on the activities of the company for 2013; draft decision– the GA adopts the report on the activities of the company for 2013.

2. Acceptance of the Certified Accountant's Report on the certified annual financial statements for 2013; draft decision – GA adopts the Certified Accountant's Report on the annual financial statements for 2013.

3. Approval of the certified financial statements for 2013 and making a decision for payment of dividends; draft decision – GA approves the certified financial statements for 2013 and adopts the proposal of the Board of Directors for 99.99% of the profit for financial year 2013 determined following the procedure set out in Article 10, paragraph 3 of the Law on the Special Investment Purpose Companies and in compliance with the requirements of article 247a of the Commerce Act at BGN 33, 866, 439.40 to be distributed as dividends and sets a gross dividend of BGN 0.3979 per share of the capital of the Company.

4. Appointing a Certified Accountant /registered auditor/ for certification of the annual financial statements for 2014; draft decision – GA appoints the proposed by the Board of Directors at the recommendation of the Audit Committee certified accountant – registered auditor Deloitte Audit OOD, part of the international audit and consultancy group Deloitte Touche Tohmatsu, to certify the annual financial report of the Company for 2014.

5. Releasing from liability the members of the Board of Directors for their activities in 2013; draft decision – GA releases the members of the Board of Directors from liability for their activity in 2013.

6. Accepting the report of the Audit Committee on its activities in 2013; draft decision - GA accepts the report of the Audit Committee on its activities in 2013;

7. Electing of the members and the chairperson of the Audit Committee of the Company for a mandate of three years and determining its remuneration; draft decision – GA elects/appoints an Audit Committee of the Company for a mandate of three years as follows: 1. Kamen Petrov Kamenov – Chairperson of the Audit Committee and independent member; 2. Members of the Audit Committee – Zhechko Dimitrov Petrov and Petar Doynov Doynov; Determines the annual remuneration of the Chairperson of the Audit Committee to the amount of BGN 5,000 and the members of the Audit Committee to the amount of BGN 2,000.

8. Report of the Investor Relations Director on his/her activities; draft decision – GA accepts the report of the Investor Relations Director;

9. Ratification of a proposal for policy on the remuneration of the members of the management body of the Company, adopted by the Board of Directors, drafted pursuant to the requirements of Art. 108 of the Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings and Regulation No 48 on remuneration requirements. draft decision - GA ratifies the Policy on remunerations of the members of the management body of the Company, adopted by the Board of Directors, drafted pursuant to the requirements of Art. 108 of the Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings and Regulation No 48 on remuneration requirements;

10. Miscellaneous

III. All shareholders are invited to attend the Assembly personally or through a proxy. The materials related the Assembly and the respective draft decisions under the Agenda are available to the shareholders at the office of the company at 1 Zhatovruh Str., Sofia. In case of the absence of a quorum pursuant to article 227, paragraph 3 of the Commerce Act the Assembly will be held on 29 May 2014 at **12.00 p.m.** in the same place and **under the same agenda.**

IV. Charges Mr. **Radoslav Iliev Manolov** - Executive Director of the Company to handle the technical issues related to the convocation and holding of the General Assembly.

Members of the Board of Directors:

1. **Borislav Vitanov Petkov**

2. **Radoslav Iliev Manolov**

3. **Nencho Ivanov Penev**

INVITATION

To the regular session of the General Assembly of the shareholders of Advance Terrafund REIT

Pursuant to Article 223, para. 1 of the Commerce Act, the Board of Directors calls a regular General Assembly of the shareholders of Advance Terrafund REIT which is to be held on 14 May 2014 at 12.00 p.m. at the seat of the company in the city of Sofia, address 1 Zlatovruh Str., with the following agenda and proposals for decisions:

1. Report on the activities of the company for 2013; draft decision – the GA adopts the report on the activities of the company for 2013.

2. Acceptance of the Certified Accountant's Report on the certified annual financial statements for 2013; draft decision – GA adopts the Certified Accountant's Report on the annual financial statements for 2013.

3. Approval of the certified financial statements for 2013 and making a decision for payment of dividends; draft decision – GA approves the certified financial statements for 2013 and adopts the proposal of the Board of Directors for 99.99% of the profit for financial year 2013 determined following the procedure set out in Article 10, paragraph 3 of the Law on the Special Investment Purpose Companies and in compliance with the requirements of article 247a of the Commerce Act at BGN 33,866 439.40 to be distributed as dividends and sets a gross dividend of BGN 0.3979 per share of the capital of the Company.

4. Appointing a Certified Accountant /registered auditor/ for certification of the annual financial statements for 2014; draft decision – GA appoints the proposed by the Board of Directors at the recommendation of the Audit Committee certified accountant – registered auditor Deloitte Audit OOD, part of the international audit and consultancy group Deloitte Touche Tohmatsu, to attest the annual financial report of the Company for 2014.

5. Releasing from liability the members of the Board of Directors for their activities in 2013; draft decision – GA releases the members of the Board of Directors from liability for their activity in 2013.

6. Accepting the report of the Audit Committee on its activities in 2013; draft decision
- GA accepts the report of the Audit Committee on its activities in 2013;

7. Electing the members and the chairperson of the Audit Committee of the Company for a mandate of two years and determining its remuneration; draft decision – GA elects/appoints an Audit Committee of the Company for a mandate of two years as follows: 1. Kamen Petrov Kamenov – Chairperson of the Audit Committee and independent member; 2. Members of the Audit Committee – Zhechko Dimitrov Petrov and Petar Doynov Doynov. Determines the annual remuneration of the Chairperson of the Audit Committee to the amount of BGN 5,000 and the members of the Audit Committee to the amount of BGN 2,000.

8. Report of the Investor Relations Director on his/her activities; draft decision – GA accepts the report of the Investor Relations Director;

9. Ratification of a proposal for policy on the remuneration of the members of the management body of the Company, adopted by the Board of Directors, drafted pursuant to the requirements of Art. 108 of the Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings and Regulation No 48 on remuneration requirements. draft decision - GA ratifies the Policy on remunerations of the members of the management body of the Company, adopted by the Board of Directors, drafted pursuant to the requirements of Art. 108 of the Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings and Regulation No 48 on remuneration requirements;

10. Miscellaneous

All shareholders of the company are invited to take part personally or through a proxy.

The written materials for the Assembly will be at the disposal of the shareholders in the city of Sofia, 1 Zlatovruh Str., each working day from 9:30 a.m. to 5:30 p.m. The invitation together with the written materials on the items of the agenda of the Assembly are published at the web page of Advance Terrafund REIT – www.advanceterrafund.bg for the time from the announcement of the invitation in the Trade Register to the closure of the General Assembly.

Persons holding jointly or separately at least 5% of the capital of Advance Terrafund REIT may request the addition of issues and propose decision on already added issues in the agenda of the General Assembly following the procedure outlined in Article 223a of the Commerce Act. Not later than 15 days prior to the opening of the General Assembly these shareholders submit the issues to be added to the agenda and the decision proposals to be announced in the Trade Register. With their announcement in the Trade Register the issues are considered added to the proposed agenda. Not later than the following working day after the announcement the shareholders submit the list of issues, decision proposals and written materials to the seat and management address of the company and to the Financial Supervision Commission.

During the General Assembly the shareholders of the company have the right to raise questions to all items of the agenda and questions regarding the economic and financial state and commercial activities of the company, regardless of whether the latter are related to the agenda.

The registration of the shareholders will be made on the day of the General Assembly from 11:30 a.m. to 12:00 p.m.

For registration and participation in the General Assembly of the shareholders the natural persons – shareholders have to present an identification document. The legal persons – shareholders present a current certificate for commercial registration and an identification document of the legal representative.

Rules for voting through proxy: in case of representation of a shareholder in the General Assembly pursuant to the provisions of Article 38, para. 2 of the Statutes of the company, it is necessary to present an explicit notarized power of attorney for the specific assembly with the contents under Article 116, para. 1 of the Law on the Public Offering of Securities. In the cases when the legal person is not represented by its legal representative the proxy presents an identification document, a current certificate for commercial registration of the respective company – shareholder and an explicit notarized power of attorney for the specific Assembly with the contents under Article 116, para. 1 of the Law on the Public Offering of Securities.

In case of representation of a shareholder of the company by a legal person – proxy, apart from an identification document of the proxy company's representative, also a current certificate for commercial registration of the respective proxy company and an explicit notarized power of attorney for the specific Assembly with the contents under Article 116, para. 1 of the Law on the Public Offering of Securities.

Pursuant to Article 116, par. 4 of the Law on the Public Offering of Securities re-authorization with the rights granted to the proxy in accordance with the power of attorney is null and void, as well as power of attorneys granted in violation of the provision of Article 116, para. 1 the Law on the Public Offering of Securities.

The certificate for commercial registration and the power of attorney for representation at the General Assembly of the shareholders issued in a foreign language should be accompanied by a legalized translation into Bulgarian language in compliance with the requirements of the applicable laws. In case of discrepancies between the texts, the data in the Bulgarian translation shall prevail.

The Board of Directors of Advance Terrafund REIT – Sofia submits a template for a written power of attorney in hard and digital copies together with the materials for the General Assembly. The template of the power of attorney will also be available at the web page of the company: www.advanceterrafund.bg.

Advance Terrafund REIT will receive and accept as valid notifications and power of attorneys electronically at the following e-mail: atera@karoll.bg with the electronic messages signed with a universal electronic signature (UES) by the principal and with enclosed electronic document (electronic

copy) of the power of attorney which should also be signed with a universal electronic signature (UES) by the principal.

Voting through correspondence and electronic means is not acceptable pursuant to the existing Statutes of Advance Terrafund REIT.

The Board of Directors of Advance Terrafund REIT advises that the total number of shares and voting rights of the shareholders of the company as of the date of the decision of the Board of Directors to convene a General Assembly – 3 April 2014 - is 85,110,091 /eighty-five million one hundred and ten thousand and ninety-one / ordinary registered dematerialized voting shares with par value of BGN 1 /one/ each. Pursuant to Article 115b, para. 1 of the Law on the Public Offering of Securities the voting right at the General Assembly can be exercised by the persons entered in the registers of the Central Depository as shareholders of the company 14 days prior to the date of the General Assembly. The date under the previous sentence for the regular session of the General Assembly of the shareholders of Advance Terrafund REIT Sofia convened on 14 May 2014 is 30 April 2014. Only persons entered as shareholders of the company on this date are entitled to participate and vote at the General Assembly.

In case of lack of quorum on the date announced in this invitation for the convening of the General Assembly of the shareholders, pursuant to Article 227, para. 3 of the Commerce Act, the General Assembly shall be held on 29 May 2014 at 12:00 p.m. at the same place and under the same agenda. The agenda of the new session cannot include items pursuant to 223a of the Commerce Act.

Yours faithfully,

Radoslav Manolov
Executive Director
Advance Terrafund REIT

Template

POWER OF ATTORNEY For representation of a shareholder in the General Assembly of the shareholders of ADVANCE TERRAFUND REIT

I, the undersigned,, №,
issued on by, with address:
....., in my capacity as
..... and representative of
..... - shareholder of
/...../ registered dematerialized voting
shares from the capital of **ADVANCE TERRAFUND REIT – Sofia**, pursuant to
Article 226 of the Commerce Act in connection to Article 116, para. 1 of the Law on
the Public Offering of Securities:

HEREBY AUTHORIZE

so that he/she/either one of them may act as’s proxy and
attend and vote on behalf at the regular session of the General
Assembly of the shareholders of **ADVANCE TERRAFUND REIT** to be held on 14 May 2014
at 12:00 p.m. in the city of Sofia, 1 Zlatovruh Str., and in case of lack of quorum on this date
the General Assembly of the shareholders will be held on 29 May 2014 at 12:00 a.m., at the
same place and under the same agenda and to vote with number of
shares of the capital of company **ADVANCE TERRAFUND REIT** on the issues of the
agenda, pursuant to the manner of voting indicated below, namely:

1. Report on the activities of the company for 2013; draft decision– the GA
adopts the report on the activities of the company for 2013.

Manner of voting:

**2. Acceptance of the Certified Accountant’s Report on the certified annual
financial statements for 2013;** draft decision – GA adopts the Certified Accountant’s
Report on the annual financial statements for 2013

Manner of voting:

**3. Approval of the certified financial statements for 2013 and making a
decision for payment of dividends;** draft decision – GA approves the certified financial
statements for 2013 and adopts the proposal of the Board of Directors for 99.99% of the
profit for financial year 2013 determined following the procedure set out in Article 10,
paragraph 3 of the Law on the Special Investment Purpose Companies and in compliance
with the requirements of article 247a of the Commerce Act at BGN 33,866,439.40 to be
distributed as dividends and sets a gross dividend of BGN 0.3979 per share of the capital of
the Company.

Manner of voting:

4. Appointing a Certified Accountant /registered auditor/ for certification of the annual financial statements for 2014; draft decision – GA appoints the proposed by the Board of Directors at the recommendation of the Audit Committee certified accountant – registered auditor Deloitte Audit OOD, part of the international audit and consultancy group Deloitte Touche Tohmatsu, to attest the annual financial report of the Company for 2014.

Manner of voting:

5. Releasing from liability the members of the Board of Directors for their activities in 2013; draft decision – GA releases the members of the Board of Directors from liability for their activity in 2013.

Manner of voting:

6. Accepting the report of the Audit Committee on its activities in 2013; draft decision - GA accepts the report of the Audit Committee on its activities in 2013;

Manner of voting:

7. Electing the members and the chairperson of the Audit Committee of the Company for a mandate of two years and determining its remuneration; draft decision – GA elects/appoints an Audit Committee of the Company for a mandate of two years as follows: 1. Kamen Petrov Kamenov – Chairperson of the Audit Committee and independent member; 2. Members of the Audit Committee – Zhechko Dimitrov Petrov and Petar Doynov Doynov. Determines the annual remuneration of the Chairperson of the Audit Committee to the amount of BGN 5,000 and the members of the Audit Committee to the amount of BGN 2,000.

Manner of voting:

8. Report of the Investor Relations Director on his/her activities; draft decision – GA accepts the report of the Investor Relations Director;

Manner of voting:

9. Ratification of a proposal for policy on the remuneration of the members of the management body of the Company, adopted by the Board of Directors, drafted pursuant to the requirements of Art. 108 of the Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings and Regulation No 48 on remuneration requirements. draft decision - GA ratifies the Policy on remunerations of the members of the management body of the Company, adopted by the Board of Directors, drafted pursuant to the requirements of Art. 108 of the Law on the Activities of Collective Investment Schemes and Other Collective Investment Undertakings and Regulation No 48 on remuneration requirements;

Manner of voting:

10. Miscellaneous

The proxy is obliged to vote as indicated above. In the cases of voting instructions – against, at his/her discretion, abstained, the proxy has the right to make additional proposals under the items of the agenda at his/her discretion. The authorization covers/does not cover issues included in the agenda pursuant to the provisions of Article 231, para. 1 of the

Commerce Act and are not announced and disclosed pursuant to Article 223 and Article 223a of the Commerce Act. In the cases under Article 231, para. 1 of the Commerce Act the proxy has/does not have the right to his/her own discretion as to whether to vote and in what manner. In the cases under Article 223a of the Commerce Act the proxy has/does not have the right to his/her own discretion as to whether to vote and in what manner, as well as to make/not make proposals for decisions on the additionally included issues of the agenda.

Pursuant to Article 116, para. 4 of the Law on the Public Offering of Securities the re-authorization of the rights listed above is null and void.

Authoriser:

**Proposal of the Board of Directors for a decision under Agenda
Item 3 on the distribution for the profit for 2013**

THE BOARD OF DIRECTORS MAKES A PROPOSAL to approve the certified annual financial statements for 2013 and to distribute as dividend 99.99% of the profit for financial year 2013 determined following the procedure set out in Article 10, paragraph 3 of the Law on the Special Investment Purpose Companies and in compliance with the requirements of article 247a of the Commerce Act at BGN 33, 866, 439.40 to be distributed as dividends and sets a gross dividend of BGN 0.3979 per share of the capital of the Company.

**Proposal of the Board of Directors for a decision under Agenda
Item 4 on the appointment of a certified accountant –
registered auditor for 2014**

The Board of Directors makes a proposal:

The General Meeting to appoint the proposed by the Board of Directors at the recommendation of the Audit Committee certified accountant - registered auditor Deloitte Audit OOD, specialized auditing company with registration number 033, part of the international audit and consultancy group Deloitte Touche Tohmatsu, to audit and certify the annual financial statements of Advance Terrafund REIT as of 31 December 2014.

Proposal of the Board of Directors for a decision under Agenda Item 7 on election of the members and the chairperson of the Audit Committee of the Company for a mandate of three years and determination of its remuneration

The Board of Directors makes a proposal:

The General Meeting to elect/appoint an Audit Committee of the Company for a mandate of three years as follows: 1. Kamen Petrov Kamenov – Chairperson of the Audit Committee and independent member; 2. Members of the Audit Committee – Zhechko Dimitrov Petrov and Petar Doynov Doynov. Determines the annual remuneration of the Chairperson of the Audit Committee to the amount of BGN 5,000 and the members of the Audit Committee to the amount of BGN 2,000;

Information on the persons, proposed as members of the Audit Committee:

Zhechko Dimitrov Petrov, Manager of BIC Capital Market Ltd.

Zhechko Dimitrov has a Master's Degree in Finance and Credit with the University of National and World Economy – Sofia. He has worked as an expert at the Technology Assessment Bureau with the Council of Ministers and at Privatconsult, he was also an accountant with TMF Services.

At present he is the Manager of "Capital Market" Bourse Information Company and the CEO of SFB Capital Market.

He has specialized Human Resource Management in Tokyo, Futures and Options Transactions in Chicago, Industrial Investment Project Assessment, Health and Safety at Work.

Zhecko Dimitrov is a manager and consultant in number of projects, funded by EU programmes. He is the Program Manager of the project "Development and Implementation of an Information System for Workforce Competence Assessment by Sectors and Regions", implemented by the Bulgarian Industrial Association (BIA) under Operational Programme "Human Resource Development" in 2009-2013.

He teaches "Stock Exchanges and Stock Exchange Operations" in the private vocational high school "Banker" - Sofia.

He speaks English and Russian.

Petar Doynov Doynov has a Master's Degree in Accounting and Control with the University of National and World Economy – Sofia.

He has worked as a Finance and Accounting Specialist at Almeta-M EOOD. At present he is the Managing Partner at "Kamenov and Partners" OOD.

He speaks English.

**TO THE GENERAL ASSEMBLY
OF THE SHAREHOLDERS
OF ADVANCE TERRAFUND REIT**

**REPORT
OF THE AUDIT COMMITTEE OF ADVANCE TERRAFUND REIT
ON THE ACTIVITIES CARRIED OUT IN 2013**

This report of the Audit Committee of Advance Terrafund REIT was prepared on the grounds of Art. 40I of the Independent Financial Audit Act, requiring a report on the activities to be presented annually before the General Assembly, along with the approval of the annual financial statements.

The Audit Committee of Advance Terrafund REIT was established by virtue of decision of the General Assembly of the Shareholders dated 16 May 2013, with a mandate of three years and composition:

- Kamen Petrov Kamenov – Chairperson
- Radoslav Iliev Manolov – Member
- Nencho Ivanov Penev – Member
- Borislav Vitanov Petkov – Member

During the reporting period the Audit Committee focused its activities on the fulfilment of the following functions:

1. *Participation in the monitoring of the financial reporting processes of Advance Terrafund REIT:*

- The Financial Accounting Department of the servicing company KAROLL FINANCE EOOD, which performs accounting services for ADVANCE TERRAFUND REIT, provides financial information to the Audit Committee by the 15th of each month following the reporting month. The information is understandable and reliable and reflects the financial position of the Company.
- The Company prepares quarterly interim financial statements and annual financial statements, which are submitted to the Financial Supervision Commission, and discloses information before the general public through the EXTRI Information System within the statutory period.
- During the audited period KAROLL FINANCE EOOD, which performs accounting services for Advance Terrafund REIT, has performed ex-ante control as to the lawfulness, prior to undertaking liabilities or incurring expense as well as over the overall activities of the Company.

2. *Participation in the monitoring of the effectiveness of the internal control and risk management systems of the Company:*

- There is an internal control system in place in the Company which applies various control and risk management systems, facilitating the activities of the management, mitigating the financial, operational and legal risks and contributing to the high quality of the financial statements.
- Advance Terrafund REIT has a one-tier management system with a management body - Board of Directors comprising three individuals.
- The internal work rules are clearly defined as well as the rights and obligations of the executives and employees.
- Authorization and approval of transactions and payments are limited to persons authorized with the respective rights.
- The transactions concluded by the Company are properly documented and the complete documentation is stored in an organised manner.

3. Participation in the monitoring of the independent financial audit of the Company:

- The independent auditor of Advance Terrafund REIT for 2013 is the audit firm Deloitte Audit OOD, represented by Asen Dimov – Audit Partner, Registered Auditor.
- The Audit Committee made sure that the registered auditor of the Company is independent in accordance with the requirements of the Independent Financial Audit Act and the Code of Ethics of the Professional Accountants.

4. Approval of the independent auditor’s report

- The Audit Committee has read the report on the audit carried out for 2013 and approved it unanimously without any remarks.

5. Participation in the preparation and presentation to the Assignor of a recommendation regarding the appointment of a registered auditor to perform the independent financial audit of the Company for 2014:

- The Audit Committee has found that there is understanding between the auditor, the management and the Financial Accounting Department, matching of the teams and good joint work. On the grounds of these findings, on the grounds of Art. 40k of the IFAA, the Committee has recommended the appointment of Deloitte Audit OOD as registered auditor of Advance Terrafund REIT in the reporting 2014.

In the course of its operations the Audit Committee can confirm that no weaknesses and irregularities have been found which may impact the true and fair presentation of the operations of Advance Terrafund REIT, as well as its financial results.

This report aims to bring to the shareholders’ attention information for the period of the mandate of the Audit Committee and the main principles on the grounds of which operations were carried out.

Audit Committee of Advance Terrafund REIT

28 March 2014

1. Kamen Kamenov
2. Radoslav Manolov.....
3. Nencho Penev.....
4. Borislav Vitanov

R E P O R T

of

Atanas Dimitrov

Investor Relations Director

of Advance Terrafund REIT

for 2013

Dear Shareholders,

During the past 2013 we strived to maintain good, timely and adequate communications with you, those of our potential investors who expressed interest in the Company, as well as the investment community as a whole. In fulfillment of our obligations we presented on a timely basis:

- information about the Company as required under the Law on the Public Offering of Securities to the Financial Supervision Commission, the Bulgarian Stock Exchange, the Central Depository, as well as to all shareholders and investors who requested such information;
- periodic and follow-up information under the Law on the Public Offering of Securities and Ordinance No 2 on prospectuses and disclosure of information by listed entities;
- additional information on the progress of the investment activities to all stakeholders.

The Management of the Company in 2013 initiated the consecutive two meetings and conference calls with the shareholders – in May and November, where were commented the results of the 1-st and the 3-rd quarter of the year and the plans for the activity during the year. In 2013 the Company held many meetings and conference calls with its shareholders, where the results of the activity of the Company were discussed and where the Company

presented information about the current market trends and the implementation of its development plans.

Furthermore, Advance Terrafund REIT was well represented in the media with a number of interviews with the executive director and with publications featuring the activities of the Company.

In addition, the information about the Company, its financial position and investment activities on its web page (www.advanceterrafund.bg) was updated on a monthly basis. The web page is part of the integrated website of financial group Karoll, whose representative – Karoll Finance EOOD is the servicing company of Advance Terrafund REIT.


In fulfillment of the statutory obligations to disclose information to the public in 2013 Advance Terrafund REIT used the website of the Bulgarian Stock Exchange www.x3news.com.

The Investor Relations Director took detailed minutes at the meetings of the Board of Directors of the Company and was fully supported by the Board of Directors in the performance of his obligations.

Our intentions for the current 2014 are to continue to comply with the good practices in our communications with the shareholders and potential investors using all appropriate information channels and striving to ensure the best possible transparency and openness with regard to the Company's operations.

Sofia
03 April 2014

Respectfully yours:


Atanas Dimitrov,
Investor Relations Director,
Advance Terrafund REIT

ADVANCE TERRAFUND REIT

**ANNUAL REPORT OF THE ACTIVITY,
INDEPENDENT AUDITOR'S REPORT AND
ANNUAL FINANCIAL STATEMENTS**

DECEMBER 31, 2013

(Unofficial translation of the original in Bulgarian)

**ANNUAL REPORT
ON THE ACTIVITIES FOR 2013**

ADVANCE TERRAFUND REAL ESTATE INVESTMENT TRUST

ANNUAL MANAGEMENT REPORT

2013

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 is 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, 1164 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 and arises mainly from the Law on Special Investment Purpose Companies and the Law on 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 № 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, a shareholder owing 18.60% of the capital of Advance TerraFund REIT as of 31 December 2013, provides consulting and other services such as administrative, accounting and recruitment services.

After the incorporation of the Company in 2005, the Company performed five consequent capital increases and its capital as of 31 December 2013 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 property rights only on agricultural, urban and forest real properties located in the territory of the Republic of Bulgaria. As per the Statutes 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 a balanced risk distribution.

The strategy of the Company envisages investment in real properties meeting the requirements of Article 9 of the Statutes of Advance TerraFund REIT with the purpose of receiving current income from rental, leasing and conceded right of use agreements as well as through the sale of these real properties to generate steady income. In order to achieve

its main purpose, the Company may apply suitable strategies for protection from 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 continuous active management of the assets of the Company and acquisition/sale of agricultural properties;
- Diversification of the portfolio of agricultural properties 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 for trade 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 plans as follows:

- Landed properties in urbanized territories /settlements and villages/ designated for residential, public, production, warehousing, resort, recreational and sports functions;
- Landed properties in agricultural territories – arable land /fields, orchards, vegetable gardens, vineyards, meadows, etc./ and non-arable land;
- Landed properties 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 Companies allows investments of up to 10% of the capital of the Company in one or more servicing companies.

1. Information presented in values and quantities about the main categories of goods, products and/or rendered services, indicating their shares in the sales income of the Issuer as a whole and the changes during the reporting financial year

The investment properties of the Company as of 31 December 2013 include agricultural land of approximately 255,380 decares of total value of BGN 149,282 thousand, properties in the

process of regulation of approximately 128 decares of total value of BGN 11,696 thousand and regulated real property of approximately 11 decares of value of BGN 2,892 thousand, or a total of BGN 163,870 thousand.

The Company has signed rental agreements for agricultural land of approximately 163,454 decares and 191,183 decares as of the end of 2013 and 2012 respectively. The respective income from rent for 2013 and 2012 totalling BGN 5,797 and BGN 5,886 is reported in the income statement.

During the 2013 financial year, the Company realized sales of agricultural land of 46,069 decares at an average price of BGN 1,072 per decare.

During the reporting year, four more of the litigations against the Company concerning the right of ownership of agricultural land of 204 decares in one district of Silistra, one district of Targovishte, and one district of Shumen were closed. The purchase of fifteen properties was announced null and void and the related notary deed was cancelled. The Company lost all rights of ownership of these properties, therefore they have been written off at carrying amount (BGN 78 thousand) at the end of the year.

According to data from the legal team, the lawsuits against the Company affecting fully or partially the ownership right on 614 decares of agricultural land will most likely be lost, therefore, as of 31 December 2013 the fair value of such property has been adjusted with BGN 156 thousand.

2. Information about the income divided into separate categories of activities, domestic and foreign markets and information about the sources of supply of materials necessary for the production of goods or rendering of services, indicating the level of dependency for each individual seller or buyer/consumer and information about each person separately, its share in the sales or purchases and its relations with the Issuer in case that the relative share of any of them exceeds 10% percent of the expenses or sales income

	Year ended 31 December 2013	Year ended 31 December 2012
Income from interests	2,670	2,652
Gains on sales and exchanges of investment properties	22,010	29,034
Income from lease and rent of investment properties	5,797	5,886
Income from revaluation of investment properties, net	14,037	22,626
Other income	151	62
OPERATING INCOME	44,665	60,260

ADVANCE TERRAFUND REIT is a joint-stock special investment purpose company for securitization of real properties. The Company functions as a collective scheme for investment in real properties. Securitization of real properties means that the Company purchases real properties with funds raised through the issue of securities /shares, bonds /.

Pursuant to the provisions of the Law on Special Investment Purpose Companies, the Company has the right to invest its raised funds only within the territory of the Republic of Bulgaria, which excludes foreign markets.

Sources of funding of the activity in 2013 are the funds raised through the capital increase realized in 2008 as well as income from the core activity of the Company.

The Company is not dependent on any buyers or sellers with shares of over 10% of the expenses or income of the Company.

3. Information about major transactions or such of material importance for the activity of the Issuer

In 2013, the Company did not conclude any major transactions or transactions of material importance.

4. Information about related party transactions concluded by the Issuer during the reporting period, proposals for conclusion of such transactions and transactions, which are outside its usual activity or deviate significantly from the market conditions, to which the Issuer or any of its subsidiaries are parties, indicating transaction values, relationship types and any information necessary for evaluation of the impact on the financial position of the Issuer

During the reporting period, Advance TerraFund REIT concluded the following related party transactions:

Consulting services	Payable at the beginning of the period	Amounts charged during the period	Amounts paid during the period	Payable at the end of the period
Karoll Finance EOOD	1,008	6,649	6,775	882

Rents	Receivable at the beginning of the period	Amount charged over the period	Amount received during the period	Receivable at the end of the period
Agro Terra Sever AD	383	346	293	436
Remuss OOD	215	154	167	202

During the reporting period, the Company did not receive any proposals for conclusion of transactions, which are outside its usual activity or deviate significantly from the market conditions. The Company has no subsidiaries and has no rights to establish such.

5. Information about events and indicators of nature unusual for the Issuer, having material impact on its activity and the realized income or incurred expenses and evaluation of their impact on the results for the current year

In 2013, there were no events or indicators of unusual nature for the Company.

6. Information about off-balance sheet transactions – nature and business purpose, indicating the financial impact of the transactions on the activity if the risks and benefits related to such transactions are material for the Issuer and if the disclosure of this information is material for the evaluation of the financial position of the Issuer

The Company has no any off-balance sheet transactions.

7. Information about participating interests of the Issuer, its main investments in the country and abroad (in securities, financial instruments, intangible assets and real properties) and investments in share securities outside its economic group and sources/means of financing.

The Company has no participating interest or investment in share securities.

7.1. Sources of funding of Advance TerraFund REIT

- Share capital

The capital of Advance TerraFund REIT amounts to BGN 85,110,091 divided into 85,110,091 ordinary registered dematerialized shares, each having nominal value of BGN 1.

By the end of the reporting period, the Company successfully performed five increases in the capital, which is fully paid in the form of contributions in cash.

Revenues from core activities are generated from renting and sale of property.

- Bank loans

The Company had no due bank loan liabilities at the end of the reporting period.

7.2. Investment properties of Advance TerraFund REIT

The investment properties of the Company as of 31 December 2013 include agricultural land of approximately 225,380 decares of total value of BGN 149,282 thousand, properties in the process of regulation of approximately 128 decares of total value of BGN 11,696 thousand and regulated real property of approximately 11 decares of value of BGN 2,892 thousand, or a total of BGN 163,870 thousand.

The Company has signed rental agreements for agricultural land of approximately 163,454 decares and 191,183 decares as of the end of 2013 and 2012 respectively. The respective income from rent for 2013 and 2012 totalling BGN 5,797 and BGN 5,886 is reported in the income statement.

Land categorization:

The agricultural land in Bulgaria is assigned average agricultural rating aimed to evaluate the suitability of the land for growing of agricultural crops. According to suitability, it ranges from

1 to 10. Category 1 is the most suitable for agriculture and category 10 is the most unsuitable. Most of the agricultural land in Bulgaria falls within categories 3 to 6 and most of the land purchased by the Company is in these categories.

Table No 1: Allocation of the land purchased by ADVANCE TERRAFUND REIT by categories.

Land category	Area in decares	% of the total area of purchased land
1	131	0,06%
2	3 630	1,61%
3	70 613	31,33%
4	78 890	35,00%
5	44 698	19,83%
6	18 447	8,18%
7	4 697	2,08%
8	1 256	0,56%
9	1 835	0,81%
10	1 183	0,52%
TOTAL	225 380	100%

In the process of land selection, the Company has focused on investments in regions of the country characterized with well developed rental relations, the allocation of which is given in Table No 2.

Table No 2: Allocation of the land purchased by ADVANCE TERRAFUND REIT by regions

REGION	PURCHASED LAND IN DECARES	% OF THE TOTAL AREA
Northwestern	43 821	19.44%
Central Northern	56 880	25.24%
Northeastern	89 743	39.82%
Southeastern	10 375	4.60%
Central Southern	24 561	10.90%

8. Information about transactions concluded by the Issuer, any of its subsidiaries or the parent company in the capacity of borrowers, loan agreements and their terms and conditions, including repayment deadlines and information about guarantees given and obligations undertaken

As of 31 December 2013, the Company had no liabilities under loan agreements.

9. Information about agreements signed by the Issuer, any of its subsidiaries or the parent company in the capacity of lenders, loan agreements, indicating provision of guarantees of any kind, including guarantees to related parties and the specific terms and conditions of such agreements, including repayment deadlines and loan purposes

The Company has not signed any loan agreements in the capacity of lender and has not provided any guarantees to third parties.

10. Information about the utilization of the funds raised through a new issue of securities during the reporting period

The funds raised through capital increases are invested in real properties in compliance with the investment policy of the Company, and namely:

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

11. Analysis of the ratio between the achieved financial results reported in the financial statements for the financial year and projected results published earlier

The Company has not published any projections for the financial results reported in the financial statements for the financial year.

12. Analysis and evaluation of the policy regarding the management of the financial resources, indicating the means for debt servicing, potential threats and measures undertaken or to be undertaken by the Issuer with a view to their elimination

The Company uses debt financing after investment of the raised share capital. The policy of the Company is to sign short-term bridge credit agreements until the next capital increase.

The gearing ratio /debt to equity/ at the end of the year is as follows:

	Year ended 31 December 2013	Year ended 31 December 2012
Debt	33,164	39,489
Cash in hand and cash equivalents	(64,059)	(76,018)
Net debt	(30,895)	(36,529)
Equity	199,886	199,798
Net debt/Equity ratio	n/a	n/a

13. Evaluation of the potential for investment intentions realization, indicating available funds and possible changes in the funding structure for this activity

The internal sources of liquidity as of the end of 2013 are sufficient to provide for the investment process, therefore the Company does not need any external financing.

The ability of the Company to cover its current expenses and to realize its investment intentions can be expressed through the 2013 liquidity ratios.

General liquidity ratio

	2013	2012	2011	2010	2009
Current assets	BGN 69,280 thousand	BGN 82,302 thousand	BGN 54,139 thousand	BGN 29,018 thousand	BGN 34,500 thousand
Current liabilities	BGN 33,264 thousand	BGN 39,534 thousand	BGN 20,946 thousand	BGN 5,179 thousand	BGN 3,986 thousand
General liquidity ratio	2.08	2.08	2.58	5.60	8.66

Due to the nature of the capital increases of the Company, upon each future increase of the capital there will be a temporary increase of the liquidity of the Company at the time of utilization of the capital until its full investment or reduction of the liquidity at the time of the increase procedure.

	2013	2012	2011	2010	2009
Total current assets	BGN 69,280 thousand	BGN 82,302 thousand	BGN 54,139 thousand	BGN 29,018 thousand	BGN 34,500 thousand
Total current liabilities	BGN 33,264 thousand	BGN 39,534 thousand	BGN 20,946 thousand	BGN 5,179 thousand	BGN 3,986 thousand
Net working capital	BGN 36,016 thousand	BGN 42,768 thousand	BGN 33,193 thousand	BGN 23,838 thousand	BGN 30,514 thousand

The high liquidity which the Company continues to maintain as of 31 December 2013 is the result of the capital increase of the Company carried out at the end of 2008, the revenues from rents and sales of agricultural land.

14. Information about changes in the key management principles of the Issuer and its economic group during the reporting period

During the reporting period, the key management principles of the Issuer and its economic group did not undergo any changes.

15. Information about the main characteristics of the internal control system and risk management system applied by the Issuer in the process of preparation of the financial statements

The Company prepares and presents its financial statements in compliance with the International Financial Reporting Standards adopted by the Commission of the European Union.

The internal control and risk management system applied in the process of preparation of the financial statements is related to the providing of reliable and free-of-misstatement information about the results of the Company. For the purpose of this dynamic process, the Management has created a suitable organization and ensured the necessary personnel. The system prevents errors or violations and allows for their identification within reasonable intervals of time.

The internal control ensures the storage and protection of the assets, the proper reporting and accounting of the transactions and the effective and efficient achievement of the purposes of the Company, meeting the requirements of the legislation and the management policy.

The internal control system has the following components:

- Control environment;
- Risk assessment;
- Controlling operations;
- Information and communication system;
- Monitoring and corrective measures.

16. Information about changes in the management and supervisory bodies during the reporting financial year

During the reporting period, there were no changes in the management and supervisory bodies.

17. Information about the remunerations, awards and/or benefits of each member of the management and supervisory bodies for the reporting financial year paid by the Issuer and its subsidiaries no matter whether they are included in the expenses of the Issuer or originate from profit distribution, including:

a) Received amounts and non-monetary remunerations;

As per the Statutes of the Company, each of the members of its Board of Directors receives a monthly remuneration determined by the General Meeting of Shareholders. The current total of the annual remunerations of all members of the Board of Directors may not exceed 0.20% of the registered capital of the Company as of 31 December of the year preceding the year of holding the session at which the General Meeting of Shareholders determined the remunerations of the members of the Board of Directors.

Borislav Vitanov Petkov	BGN 19 200
Radoslav Iliev Manolov	BGN 30 000
Nencho Ivanov Penev	BGN 19 200

The Company does not apply any policy for allocation of non-monetary remunerations.

b) Conditional or deferred remunerations arising during the year, even if they are due later;

The Company has not allocated any conditional or deferred remuneration.

c) Amounts payable by the Issuer or its subsidiaries for pensions, retirement benefits or other similar compensations;

The Company does not owe any amounts for pensions, retirement benefits or other similar compensations.

18. Information about shares of the Issuer held by members of the management and supervisory bodies, procurators and chief executives, including the shares held by each of them separately and as percentage of the shares of each class and options on the securities of the Issuer provided by the latter – type and amount of the securities on which options have been set up, price of options exercising, purchase price, if any, and option terms

Person	Radoslav Iliev Manolov	
Position	Executive Director	
Number of voting shares in the capital as of 31 December 2013		151 001
Percentage of the capital as of 31 December 2013		0.18%

Person	Borislav Vitanov Petkov	
Position	Chairman of the Board of Directors	
Number of voting shares in the capital as of 31 December 2013		18 000
Percentage of the capital as of 31 December 2013		0.02%

The Company has not provided any options on its securities.

18.1. Information about participation of the members of the Board of Directors in management and supervisory bodies of other companies

Name	Position	Company
Radoslav Iliev Manolov	Manager	Nettelcom EOOD

Name	Position	Company
Borislav Vitanov Petkov	Chairman of the Board of Directors	Advance Equity Holding AD
	Member of the Board of Directors	SEP Bulgaria AD
	Member of the Board of Directors	Euro-Finance Consult AD
	Member of the Board of Directors	Lazurit 94 AD
	Partner	DB Proekt OOD

19. Information about arrangements (including after the closure of the financial year) that may result in future changes in the relative share of shares or bonds owned by present shareholders or bondholders, of which the Company is aware

The Company is not aware of any arrangements as of 31 December 2013 or the date of this Annual Management Report that may result in future changes in the relative share of shares or bonds owned by present shareholders or bondholders.

20. Information about pending lawsuits, administrative or arbitration procedures concerning liabilities or receivables of the Issuer totalling at least 10% of its equity, including individual information about each procedure if the total

liabilities or receivables of the Issuer related to all procedures exceed 10% of its equity

The Company is not involved in any pending lawsuits, administrative or arbitration procedures concerning liabilities or receivables totalling at least 10% of its equity.

21. Data about the Investor Relations Director, including telephone number and correspondence address

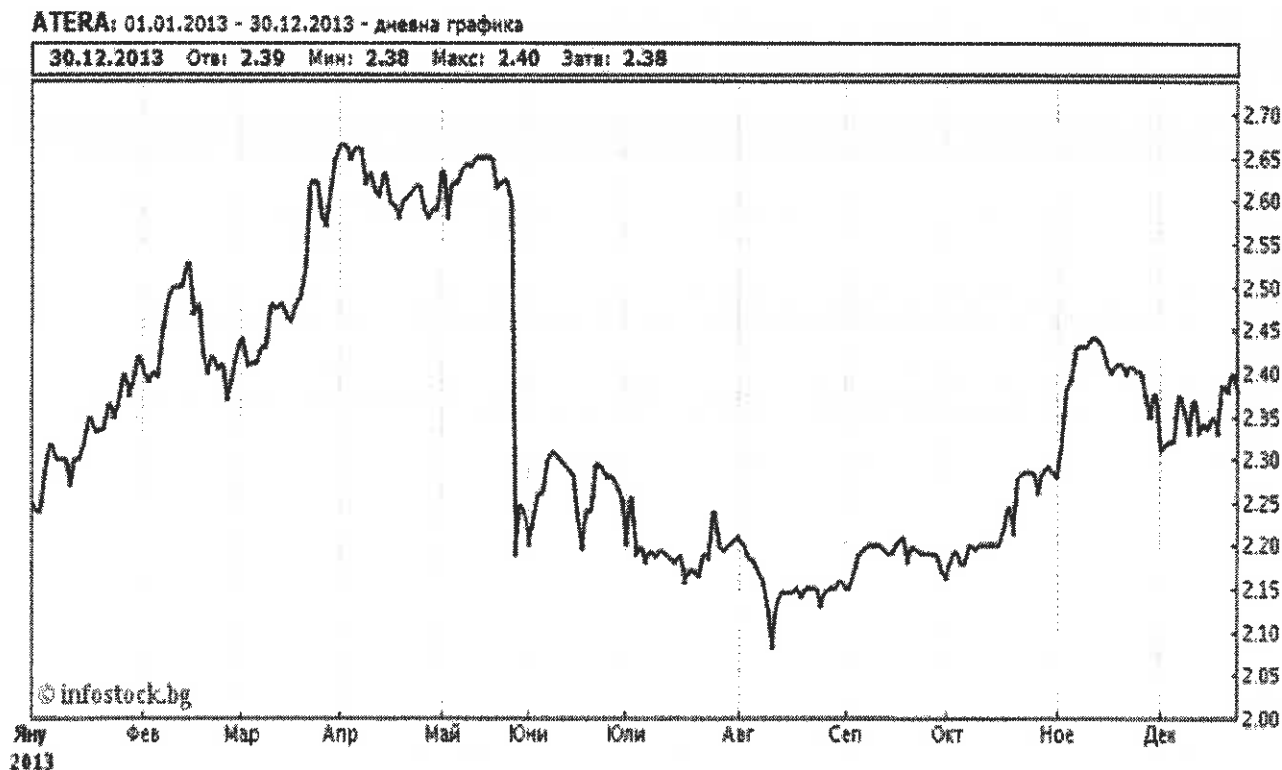
Pursuant to the provisions of Article 116 of the Law on Public Offering of Securities and the Statutes of the Company, the Investor Relations Director employed under a labour agreement is Atanas Todorov Dimitrov.

Correspondence address and telephone:

1 Zlatovrah Street, 1164 Sofia

Telephone: +359 2 4008332, e-mail: adimitrov@karoll.bg /net/

22. Changes in the prices of the Company's shares during the period 1 January 2013 – 31 December 2013



23. Analysis and explanation of the information in Appendix No 11

23.1. Structure of the capital of the Company, including securities not admitted to trading in a regulated market in the Republic of Bulgaria or another member state, indicating the different classes of shares, the rights and obligations for each class of shares and the share of each separate class of the total capital.

The structure of the capital of Advance TerraFund REIT as of 31 December 2013 is as follows:

- Capital of Advance TerraFund REIT: BGN 85,110,091 divided into 85,110,091 ordinary registered dematerialized shares, each having nominal value of BGN 1;
- Shares acquired by legal entities – 140 legal entities holding a total of 71,993,338 shares of the capital of Advance TerraFund REIT;
- Shares acquired by individuals – 1,157 individuals holding a total of 13,116,753 shares of the capital of Advance TerraFund REIT.

23.2. Restrictions applicable to securities transfer – restrictions on securities holding or a requirement for approval by the Company or another shareholder

The Statutes of Advance TerraFund REIT do not provide for any restrictions as to the transfer of shares of the Company or a requirement for approval of Company's shares transfer by the Company or another shareholder.

23.3. Information about direct or indirect ownership of 5% or more of the voting rights in the General Meeting of the Company, including data about the shareholders, the amounts of their participating interests and the manners of shares holding

The shareholders of Advance TerraFund REIT – individuals holding directly or indirectly 5% or more of the voting shares of the Company as of 31 December 2013 are:

Name	Stanimir Marinov Karolev
Manner of shares holding	Indirectly
Number of voting shares in the capital as of 31 December 2013	17 591 479
Percentage of the capital and the votes in the General Meeting	20.67%

The shareholders of Advance TerraFund REIT – legal entities holding directly or indirectly 5% or more of the voting shares of the Company as of 31 December 2013 are:

Name	KAROLL FINANCE EOOD
Seat and address:	1 Zlatovruh Str., Sofia
BULSTAT	131421411
Number of voting shares in the capital as of 31 December 2013	15 828 732
Percentage of the capital and the votes in the General Meeting	18.60%

Name	INTERNATIONAL FINANCE CORPORATION
Seat and address:	2121 PENNSYLVANIA AVE, NW STREET, WASHINGTON DC, USA 20433
BULSTAT	0019930728
Number of voting shares in the capital as of 31 December 2013	15,068,523
Percentage of the capital and the votes in the General Meeting	17.70%

23.4. Data about shareholders with special control rights and description of such rights

Advance TerraFund REIT does not have any shareholders with special control rights.

23.5. System for control in exercising voting rights when employees of the Company are also its shareholders and when control is not exercised directly by them

Pursuant to the provision of Article 21, Paragraph 1 of the Statutes of Advance TerraFund REIT: *"Each share shall give its holder the right to one vote, the right to dividend and the right to liquidation quota unless otherwise provided for in the decision of the Company's body on a the particular issue of shares. A Company's body shall not have any right to provide more than 1 /one/ vote per share."*

Pursuant to Article 22 of the Statutes of Advance TerraFund REIT: *"Each share shall give its holder the right to one vote in the General Meeting of Shareholders unless issued as a non-voting share. Voting rights shall be exercised by the persons entered in the registers of the Central Depository as shareholders 14 days prior to the date of the particular session of the General Meeting."*

23.6. Restrictions on the voting rights such as restrictions on the voting rights of shareholders holding a certain percentage or number of votes, deadline for voting rights exercising or systems where the financial rights related to the shares are independent from the shares holding with the cooperation of the Company.

The Statutes of Advance TerraFund REIT do not provide for any restrictions on the voting rights.

23.7. Agreements between shareholders that may result in restrictions on transfer of shares or voting rights, of which the Company is aware.

Advance TerraFund REIT is not aware of any agreements between shareholders that may result in restrictions on transfer of shares or voting rights.

23.8. Provisions regarding the election and discharge of the members of the management bodies of the Company and amendments and supplements to the Statutes.

The Company is managed and represented by Board of Directors consisting of 3 active individuals and/or legal entities elected by the General Meeting of Shareholders.

The Board of Directors is elected for a mandate of 5 /five/ years and the members of the first Board of Directors are elected for a mandate of 3 /three/ years. The members of the Board of Directors can be re-elected without restriction. After the expiry of the mandate of the members of the Board of Directors, they continue to exercise their duties until the election of new Board of Directors by the General Meeting of Shareholders.

The Company's operations are managed by an Executive Director elected by the Board of Directors with a majority of 2/3 of the votes. The mandate of the Executive Director is the same as the mandate of the Board of Directors but the same continues to perform its duties until the election of new Executive Director. The management powers of the Executive Director are determined with the decision of the Board of Directors on its election and the

management agreement. The powers assigned to the Executive Director may be withdrawn at any time with a decision of the Board of Directors made with the majority necessary for its election. For its overall activity, the Executive Director is accountable to the Board of Directors. At each regular meeting of the Board of Directors, the Executive Director reports on its current activities. In the absence of the Executive Director, its functions related to the management of the Company are exercised temporarily by the Chairman of the Board of Directors.

The Statutes of Advance TerraFund REIT may be amended and supplemented by the General Meeting of Shareholders only.

23.9. Powers of the management bodies of the Company, including the right to make decisions on issue and redemption of shares of the Company.

The members of the Board of Directors have equal rights and obligations regardless of the internal allocation of their functions and the granting of management and representation rights to some of them. The Board of Directors makes decisions on the activity of the Company insofar as such decisions are not within the exclusive competence of the General Meeting pursuant to the effective legislation and the Statutes.

The Board of Directors does not have the right to make decisions on redemption of shares of the Company.

23.10. Major agreements of the Company, which require actions or undergo amendment or termination due to changes in the control of the Company in case of mandatory tender offering and related consequences unless the disclosure of such information may result in material damage to the Company, such exception being inapplicable if the Company is obliged to disclose the information by law.

Advance TerraFund REIT is not a party to any agreements, which require actions or undergo amendment or termination due to changes in the control of the Company in case of mandatory tender offering.

23.11. Agreements between the Company and its management bodies or employees for payment of compensation upon leaving or dismissal without legal grounds or upon termination of the labour relations for reasons related to tender offering.

There are no agreements between Advance TerraFund REIT and its management bodies or employees for payment of compensation upon leaving or dismissal without legal grounds or upon termination of the labour relations for reasons related to tender offering.

24. Other information disclosed at the discretion of the Company

The Company continues the implementation of its investment strategy through investing in agricultural land. The trend for 2014 is dynamics of the prices and marked interest by farmers in purchasing agricultural land, which affords opportunities for the Company to realise sales revenues. The Management expects renting out of agricultural land of over 165,000 decares in 2014, of which 163,000 decares are rented out as of the date of this report, i. e. 72 % of the land owned as of the end of the reporting period. The Management

has undertaken effective measures in order to mitigate the risk of bad receivables for the Company for 2013-2014.

Radoslav Manolov
Executive Director



February 28, 2014



**INDEPENDENT AUDITOR'S REPORT AND
ANNUAL FINANCIAL STATEMENTS
DECEMBER 31, 2013**

*This document is a translation of the original text in Bulgarian,
in case of divergence the Bulgarian text is prevailing*

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Advance Terrafund REIT

Report on the financial statements

We have audited the accompanying financial statements of Advance Terrafund REIT (the “Company”), which comprise the statement of financial position as of December 31, 2013 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entities' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2013, of its financial performance and its cash flows for the year then ended, in accordance with the IFRS, as adopted by the European Union.

Emphasis of matter

We draw attention to notes 3 и 4 to the accompanying financial statements, where it is disclosed that the investment properties of the Company are measured at fair value based on the annual valuation required. As disclosed in note 2 'Accounting assumptions and accounting estimates' the Company's major source of uncertainty regarding accounting assumptions and accounting estimates relates to the measurement of the fair value of investment properties. The valuation was performed in the absence of representative and official agro-market information for 2013, such as agricultural land prices, rents, yields by regions, etc. In addition, one of the valuation methods applied having 20% weight, is the current market prices method according to the Regulation for the conditions and order for establishing current market prices for agricultural land whereas the market value of land is determined by applying differentiated administrative coefficients, based on the characteristics of the agricultural land. Due to the inherent uncertainty of the valuation especially in the current market conditions, the fair value may differ significantly from the values that would have been used had representative and official agro-market information for 2013 been available, and these differences could be material. Our opinion is not modified in respect to this matter.

Other Reports on regulatory requirements - Annual report on the activities of the Company, prepared by management, according to article 33 of the Accountancy Act

Pursuant to the requirements of the Bulgarian Accountancy Act, article 38, paragraph 4 we have read the accompanying Annual report on the activities. The Annual report on the activities, prepared by management, is not a part of the financial statements. The historical financial information presented in the Annual report on the activities of the Company, prepared by management, is consistent, in all material respects, with the annual financial information disclosed in the financial statements of the Company as of December 31, 2013, prepared in accordance with the IFRS, as adopted by the European Union. Management is responsible for the preparation of the Annual report on the activities of the Company, dated February 28, 2014.

Deloitte Audit OOD

Deloitte Audit OOD

A. Dimov

Assen Dimov
Statutory Manager
Registered Auditor



February 28, 2014
Sofia

ADVANCE TERRAFUND REIT

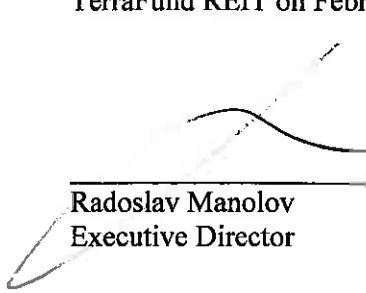
STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2013

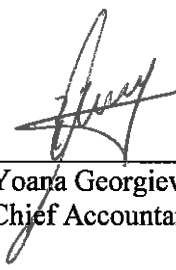
All amounts are in thousand Bulgarian Levs, except otherwise stated

	Notes	As of 31.12.2013	As of 31.12.2012
ASSETS			
Investment properties	4	159,862	155,866
Non-current assets held for sale	5	4,008	1,164
Rent and other receivables	6	4,657	4,968
Advances to suppliers	7	564	1,316
Cash and cash equivalents	8	64,059	76,018
TOTAL ASSETS		233,150	239,332
LIABILITIES			
Current liabilities	9	33,164	39,489
Provisions		100	45
TOTAL LIABILITIES		33,264	39,534
TOTAL NET ASSETS		199,886	199,798
EQUITY			
Share capital	10	85,110	85,110
Share premium		43,411	43,411
Retained earnings		71,365	71,277
TOTAL EQUITY		199,886	199,798

These financial statements were approved by the Board of and signed on behalf of Advance TerraFund REIT on February 28, 2014 by


Radoslav Manolov
Executive Director




Yoana Georgieva
Chief Accountant

The original financial statements have been signed by Assen Dimov, Registered Auditor and Statutory Manager at Deloitte Audit OOD on February 28, 2014.

The accompanying notes form an integral part of these financial statements.

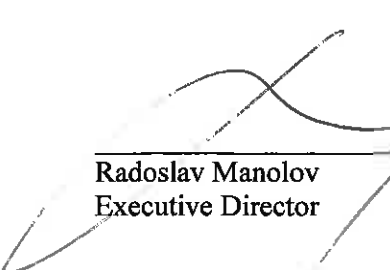
ADVANCE TERRAFUND REIT

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2013

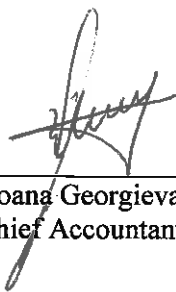
All amounts are in thousand Bulgarian Levs, except otherwise stated

	Notes	Year ended 31.12.2012	Year ended 31.12.2012
Interest income		2,670	2,652
Income from sale and exchange of investment properties		49,382	69,239
Carrying amount of properties sold		<u>(27,372)</u>	<u>(40,205)</u>
Profit from transactions of transfers of title to properties		22,010	29,034
Income from rent of investment properties	4	5,797	5,886
Income from revaluation of investment properties, net		14,037	22,626
Other income		151	62
OPERATING INCOME		<u>44,665</u>	<u>60,260</u>
Hired services	11	(8,809)	(10,230)
Employee benefits		(117)	(112)
Finance costs		(3)	(3)
Impairment losses on receivables		(921)	(629)
Other expenses		(75)	(87)
OPERATING EXPENSES		<u>(9,925)</u>	<u>(11,061)</u>
NET PROFIT FOR THE YEAR		<u>34,740</u>	<u>49,199</u>
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		<u>34,740</u>	<u>49,199</u>
Earnings per share (BGN)	15	0.41	0.58

These financial statements were approved by the Board of and signed on behalf of Advance TerraFund REIT on on February 28, 2014 by


Radoslav Manolov
Executive Director




Yoana Georgieva
Chief Accountant

The original financial statements have been signed by Assen Dimov, Registered Auditor and Statutory Manager at Deloitte Audit OOD on February 28, 2014.

The accompanying notes form an integral part of these financial statements.

ADVANCE TERRAFUND REIT

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2013

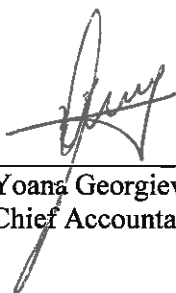
All amounts are in thousand Bulgarian Levs, except otherwise stated

Notes	Year ended 31.12.2013	Year ended 31.12.2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Purchase of investment properties	(20,100)	(17,135)
Payments to suppliers and contractors	(2,394)	(2,737)
Proceeds from rentals and sales	56,340	74,976
Payments to employees	(109)	(120)
Interest received	3,103	2,522
Other cash flows used in operating activities	(7,470)	(8,194)
НЕТЕТ ПАРИЧЕН ПОТОК ОТ ОПЕРАТИВНА ДЕЙНОСТ	29,370	49,312
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(41,326)	(20,917)
Other cash flows from financing activities	(3)	(2)
NET CASH FLOW USED IN FINANCING ACTIVITIES	(41,329)	(20,919)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(11,959)	28,393
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	76,018	47,625
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	8 64,059	76,018

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ADVANCE TERRAFUND REIT

STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2013

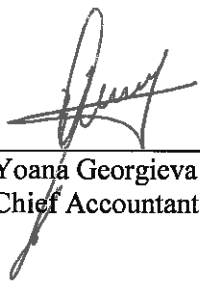
All amounts are in thousand Bulgarian Levs, except otherwise stated

	Share capital	Share premium	Accumulated profit/(loss)	Total
BALANCE AS OF JANUARY 1, 2012	85,110	43,411	61,855	190,376
Total comprehensive income for 2012	-	-	49,199	49,199
Dividend (note 16)	-	-	(39,754)	(39,754)
Other comprehensive income	-	-	-	-
Other changes	-	-	(23)	(23)
BALANCE AS OF DECEMBER 31, 2012	85,110	43,411	71,277	199,798
Total comprehensive income for 2013	-	-	34,740	34,740
Dividend (note 16)	-	-	(34,652)	(34,652)
Other comprehensive income	-	-	-	-
BALANCE AS OF DECEMBER 31, 2013	85,110	43,411	71,365	199,886

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Radoslav Manolov
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Chief Accountant

The original financial statements have been signed by Assen Dimov, Registered Auditor and Statutory Manager at Deloitte Audit OOD on February 28, 2014.

The accompanying notes form an integral part of these financial statements.

1. GENERAL INFORMATION

Advance TerraFund REIT

Advance TerraFund REIT (“the Company”) is a public joint stock company set up at a Constituent meeting on April 12, 2005. Its initial registered capital amounts to BGN 500,000, divided into 500,000 shares with par value of BGN 1 per share. The Company is registered again in the Trade Register at the Registry Agency under UIC 131418187. Its registered seat and address of operation is 1, Zlatovruh street, Sofia.

The Company’s scope of activity is investment of funds raised through public offering of the company’s equity securities; investment in real estate (securitization of real estate) through purchase of ownership and other property right on real estate; development and improvement of real estate for the purpose of the real estate being used, rented, leased, and/or sold.

The Company’s activity is regulated by specific legislation, mainly consisting of the Special Investment Purpose Companies Act (SIPCA) and the Public Offering of Securities Act (POSA). According to these laws, the Company is subject to supervision by the Financial Supervision Commission (FSC). The Company obtained license № 10, dated December 8, 2005 for its activities, under Decision № 452 issued by the FSC on July 14, 2005.

The Company is incorporated for an indefinite period.

The Company has one-tier management structure. The members of the Company’s Board of Directors (BoD) are as follows: Radoslav Iliev Manolov –Executive Director, Borislav Vitanov Petkov – Chairman of the BoD and Nencho Ivanov Penev – Member of the BoD.

Karoll Finance EOOD is a service company of Advance Terrafund REIT, which owns 18,60% of the share capital of the Company as of December 31, 2013 and provides consulting and other services such as administrative, accounting and recruitment services to the Company.

Since the Company’s incorporation in 2005, there have been five successive capital increases and the Company’s share capital as of December 31, 2013 amounts to BGN 85,110,091.

Investment strategy, objectives and restrictions of the Company

Advance TerraFund REIT is an investment company with special investment purpose: securitization of real estate. The Company can acquire property rights on agricultural, urban, suburban and forest land, located on the territory of the Republic of Bulgaria. Pursuant to the Company’s Articles of Association, approved at the Constituent meeting on April 12, 2005, the Company’s investment objectives are as follows:

- to provide its shareholders with the opportunity to invest in a diversified real estate portfolio, based on the risk sharing principle;
- to ensure the preservation and the increase in value of shareholders’ investments by means of generation of stable income at a balanced risk sharing.

1. GENERAL INFORMATION (CONTINUED)

The Company's strategy prescribes investments in real estate pursuant to Article 9 of the Articles of Association of Advance TerraFund REIT with the purpose of generating current income from rent, lease, ceded right of use, as well as by means of sale of real estate in order to generate stable income. In order to achieve its main goal the Company shall apply proper strategies for market and currency risk management.

The Company's financial goals are:

- To ensure steadily growing income for the shareholders in the form of cash dividend by renting out the owned real estate property;
- To maximize the value of the shareholders' investments, through continuous active management of the Company's assets and acquisition/sale of agricultural land;
- Diversification of the agricultural land portfolio through investing in various types of agricultural land (arable land, perennial plant land, vineyards, etc.), situated in different regions of Bulgaria, with the purpose of minimizing the non-systematic risk of the whole investment portfolio;
- To ensure liquidity for the shareholders by registering the shares of Advance TerraFund REIT for trading at the Bulgarian Stock Exchange – Sofia;
- To conduct the necessary increase in share capital in order to create a structured balanced portfolio of investment property.

According to its investment policy, the Company should invest the accumulated capital in real estate with clear main and specific purposes, according to the organizational schemes and plans and the detailed organizational plan. The real estate investment portfolio includes the following:

- Land in urbanized territories /urbanized areas and towns and villages/ – fit for residential, public, industrial, storage, resort, sports and entertainment functions;
- Land in agricultural territories – arable land /fields, fruit and vegetable gardens, vineyards, meadows and others/ and uncultivated land;
- Land in forest territories – forests and forest land;

It is the Company's investment policy to maintain its real estate investment portfolio equivalent to 90% of the net book value of the Company's total assets as reported in its annual financial statements.

The Company may also invest the available financial resources of the Company in the following:

- Securities, issued and guaranteed by the Bulgarian State and bank deposits – without limits;
- Mortgage obligations, issued in accordance with the Mortgage Obligations Act – up to 10% of Company's assets.

The Special Investment Purpose Companies Act permits investment up to 10% of Company's capital in one or more servicing companies.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The Company prepares and presents its financial statements in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and the interpretations, issued by the International Financial Reporting Interpretations Committee (IFRIC), as approved by the European Union (the EU) and applicable in the Republic of Bulgaria.

SIPCA requires the investment property to be valued at the end of each financial year. At the end of each financial year, the investment property is valued by a licensed independent appraiser accredited by the Ministry of Agriculture in compliance with Article 20, para 1 and 2 of SIPCA. In evaluating the Company's investment property as of December 31, 2013 and December 31, 2012 the independent appraiser used the model "fair market value" (see note 3).

Changes in IFRS

Standards and Interpretations effective in the current period

The following standards, amendments to the existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current period:

- IFRS 13 "Fair Value Measurement", adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2013),
- Amendments to IFRS 1 "First-time Adoption of IFRS" – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2013),
- Amendments to IFRS 1 "First-time Adoption of IFRS" – Government Loans, adopted by the EU on March 4, 2013 (effective for annual periods beginning on or after January 1, 2013),
- Amendments to IFRS 7 "Financial Instruments: Disclosures" - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on December 13, 2012 (effective for annual periods beginning on or after January 1, 2013),
- Amendments to IAS 1 "Presentation of financial statements" – Presentation of Items of Other Comprehensive Income, adopted by the EU on June 5, 2012 (effective for annual periods beginning on or after July 1, 2012),
- Amendments to IAS 12 "Income Taxes" – Deferred Tax: Recovery of Underlying Assets, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2013),
- Amendments to IAS 19 "Employee Benefits" – Improvements to the Accounting for Post-employment Benefits, adopted by the EU on June 5, 2012 (effective for annual periods beginning on or after January 1, 2013),
- Amendments to various standards "Improvements to IFRSs (cycle 2009-2011)" resulting from the annual improvement project of IFRS (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on March 27, 2013 (amendments are to be applied for annual periods beginning on or after January 1, 2013),
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine", adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2013).

The adoption of these amendments to the existing standards has not led to any changes in the Company's accounting policies.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

Changes in IFRS (Continued)

Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following standards, amendments to the existing standards and interpretations issued by IASB and adopted by the EU were in issue but not yet effective:

- IFRS 10 “Consolidated Financial Statements”, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014),
- IFRS 11 “Joint Arrangements”, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014),
- IFRS 12 “Disclosures of Interests in Other Entities”, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014),
- IAS 27 (revised in 2011) “Separate Financial Statements”, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014),
- IAS 28 (revised in 2011) “Investments in Associates and Joint Ventures”, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014),
- Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosures of Interests in Other Entities” – Transition Guidance, adopted by the EU on April 4, 2013 (effective for annual periods beginning on or after January 1, 2014),
- Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosures of Interests in Other Entities” and IAS 27 (revised in 2011) “Separate Financial Statements” – Investment Entities, adopted by the EU on November 20, 2013 (effective for annual periods beginning on or after January 1, 2014),
- Amendments to IAS 32 “Financial instruments: presentation” – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on December 13, 2012 (effective for annual periods beginning on or after January 1, 2014),
- Amendments to IAS 36 “Impairment of assets” - Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU on December 19, 2013 (effective for annual periods beginning on or after January 1, 2014),
- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” – Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU on December 19, 2013 (effective for annual periods beginning on or after January 1, 2014).

Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use in EU as at date of publication of financial statements:

- IFRS 9 “Financial Instruments” and subsequent amendments (effective date was not yet determined),

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

Changes in IFRS (Continued)

Standards and Interpretations issued by IASB but not yet adopted by the EU (continued)

- Amendments to IAS 19 “Employee Benefits” - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after July 1, 2014),
- Amendments to various standards “Improvements to IFRSs (cycle 2010-2012)” resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after July 1, 2014),
- Amendments to various standards “Improvements to IFRSs (cycle 2011-2013)” resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after July 1, 2014),
- IFRIC 21 “Levies” (effective for annual periods beginning on or after January 1, 2014).

The Company anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the financial statements of the Company in the period of initial application.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

These financial statements are prepared under the historical cost convention except for investment properties, which are measured at fair value. The other financial assets and liabilities and non-financial assets and liabilities are carried at amortized or historical cost.

Accounting assumptions and accounting estimates

The preparation and presentation of the financial statements in accordance with IFRS requires management to apply some accounting assumptions and estimates which affect the carrying amount of assets and liabilities as of the date of the statement of financial position and the amount of income and expenses in the reporting period, as well as the disclosure of contingent assets and liabilities. Although these assumptions and estimates are based on the best management’s expectations and the available information as of the date of the financial statements, the actual results may differ from expected ones.

The Company’s major uncertainty regarding accounting assumptions and accounting estimates relates to the measurement of the fair value of investment properties (see note 3).

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

Functional and presentation currency

The Company keeps its records and prepares its financial statements in the national currency of the Republic of Bulgaria – the Bulgarian Lev, which is the official currency of the primary economic environment in which the Company operates. Effective January 1, 1999 the Bulgarian Lev is fixed to the EUR at the rate of BGN 1.95583 = EUR 1.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment property

The investment properties in which the Company is interested to invest are land held for generating of rental income or with the purpose for capital appreciation.

Investment properties are initially valued at cost, including the acquisition price, as well as all expenses attributable to or related to the acquisition of the investment property.

Subsequent expenses, related to the investment property, that has already been recognized, are added to the carrying amount of the investment property, when a probability exists that there would be future economic benefits, exceeding the initial expectations for the performance of the investment property

Subsequent valuation of the investment property is carried out by applying the fair value model, which is used for valuation of investment property after its initial recognition at acquisition cost. By applying the fair value model, changes in fair values are recognized 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 appraiser.

Increases in subsequent valuations in 2013 and 2012 are based on reports prepared by the independent appraisers, dated February 14, 2014 and February 15, 2013, respectively, accredited by the Ministry of Agriculture in compliance with Article 20, items 1 and 2 of SIPCA.

In valuation of the Company's investment property as of December 31, 2013 and December 31, 2012, the independent appraiser used the "fair market value" model. The fair market value (FMV) means the most probable value, at which a specific asset could be traded on a competitive market, keeping all conditions for a fair sale, namely: the buyer and the seller are aware of their actions, well informed about the respective asset and are guided by their own interests, both are acting of their own free will, taking into consideration the fact that the term of execution of the comparable transactions should not be reasonably long.

The following methods for valuation of agricultural land are applied:

- current market prices method;
- comparative method (market analogues);
- liquidation value method;
- method of determining the price of compensation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Current market prices method, according to *Regulation for the conditions and the order for establishing current market prices for agricultural land*, takes into consideration the particular characteristics of the property (qualitative, quantitative, location, condition, etc.). Market value of land is determined by applying differentiated administrative coefficients, based on the characteristics of the agricultural land to be valued. This market value could be used in various transactions between the State and individuals and/or corporate bodies such as purchase, substitution, etc. By using this valuation method the value of the property is the multiple of three quantities: the initial price of the land, the sum of the correctional coefficients plus 1 and the respective area of the property.

Comparative method (market analogues) – by applying this method the value of the land is determined by comparison with sales of land with the same or similar characteristics, and where information about the sale (including prices) is available and reliable. The closer the valuation date is to the time of transactions, the more reliable is the resulting market price of the land subject to revaluation.

Liquidation value method – this method uses for assessment a hypothetical selling of the assets instead of their ability to generate income. The liquidation value method is also used because of its ability to measure specific assets apart from the other assets.

Method of determining the price of compensation – this method is used to determine the price of compensation when expropriating property for government needs. It is justified to use this method when there is limited market evidence, and when it is more difficult to determine the liquidation value due to particularities in the economic environment.

When determining the price by using this method, the appraiser estimates the value of the property in accordance with the Local Taxes and Charges Act and takes into consideration all comparable coefficients, the value of which is doubled.

The Company has entered into leasehold agreements on its investment properties and retains all significant risks and rewards of ownership on these properties.

Non-current assets held for sale

The Company classifies non-current asset as held for sale when their carrying amount will be recovered sooner through sale than through continuing use. The asset has to be available for immediate sale in its current condition and the sale has to be likely performed in 12-month period. These assets are separately presented in the statement of financial position.

The Company measures assets classified as held for sale at the lower from their carrying amount immediately after they have been classified as held for sale and their fair value less cost of sales.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

Cash and cash equivalents comprise cash at hand, current accounts and short-term deposits at banks with maturity up to twelve months. The Company's management believes that the deposits with maturity up to 12 months meet the criteria for cash equivalents because they are easily converted into cash with no loss of value. These deposits are convertible into cash without written notice and without any penalties to the Company for early withdrawal.

Financial instruments

All financial assets and liabilities are initially measured at fair value, which is usually the value of the consideration paid (in respect of a financial asset) or received (in respect of a financial liability). Financial assets include financial assets at fair value through profit or loss, loans and receivables, financial assets held to maturity and financial assets available for sale.

Financial assets at fair value through profit or loss are subsequently measured at fair value, where the changes in the fair value are reported as profit or loss 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 the statement of comprehensive income and are presented as revaluation reserves in equity. Loans and receivables and held to maturity financial assets, are subsequently measured at amortized cost using the effective interest method.

Debt and equity instruments are classified in accordance with the contract as financial liabilities or equity, respectively. An equity instrument is any contract that provides residual value in the assets of the entity after deducting all liabilities. Equity instruments are recorded at the proceeds received, net of any issue costs. Financial liabilities are classified as either financial liabilities at fair value through profit and loss (FVTPL) or other financial liabilities. Financial liabilities at FVTPL are stated at fair value, with any resulting gain or loss recognized in profit and loss. Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

A review of the financial assets as of the date of the statement of financial position is performed to determine if there are indications of impairment or revaluation. If such indications exist, the asset's recoverable value is determined and impairment losses are recognized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transactions in foreign currency

Transactions, denominated in foreign currency, are reported in BGN, at the exchange rate of the Bulgarian National Bank (BNB) as of the date of the respective transaction. Assets and liabilities, denominated in foreign currency, are reported as of the date of the preparation of the statement of financial position at the closing exchange rate of BNB.

Foreign exchange rate gains and losses are reported in the statement of comprehensive income as profit or loss in the period in which they arise.

Since January 1, 1999 the Bulgarian Lev is fixed to the currency of the European Union at a rate of EUR 1 = BGN 1.95583. The fluctuations of all other foreign currencies against the BGN reflect their exchange rate movements against the Euro on the foreign markets.

The Company does not perform significant transactions denominated in currencies other than BGN and EUR, and accordingly, is not exposed to currency risk.

Rental income from investment properties

Rental income from investment properties is recognized in the statement of comprehensive income on an accrual basis over the lease term.

Interest income

Interest income on deposits is recognized in the statement of comprehensive income on an ongoing basis, according to the deposit agreement. Interest earned whilst holding trading securities is reported as interest income.

Income tax and requirements for dividend

In accordance with the Corporate Income Tax Act, the special investment purpose companies, licensed under SIPCA, are not subject to corporate income taxation, providing that the Company distributes in favor of its shareholders 90% of the profit for the year and 90 % of its financial result, if it is lower than the profit for the year. In accordance with the requirement of the SIPCA, the Company accrues the required dividend at the end of the reporting period and recognizes this dividend as a liability as of the date of the statement of financial position, thus meeting the requirement for current liability in compliance with IAS 37.

Thus, the Company is not liable and does not recognize current and deferred income taxes in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2013

All amounts are in thousand Bulgarian Levs, except otherwise stated

4. INVESTMENT PROPERTIES

	Agricultural land	Regulated property	Properties for which lawsuits are initiated	Other	Total
Carrying amount					
As of January 1, 2012	140,638	15,410	-	39	156,087
Additions	17,395	-	-	26	17,421
Disposals	(39,115)	-	-	-	(39,115)
Claims originated	(366)	-	366	-	-
Suspended claims	19	-	(19)	-	-
Classified as assets held-for - sale	(1,164)	-	-	-	(1,164)
As of December 31, 2012	<u>117,407</u>	<u>15,410</u>	<u>347</u>	<u>65</u>	<u>133,229</u>
Subsequent measurement to fair value	23,591	(768)	(186)	-	22,637
As of December 31, 2012	<u>140,998</u>	<u>14,642</u>	<u>161</u>	<u>65</u>	<u>155,866</u>
Carrying amount					
As of January 1, 2013	140,998	14,642	161	65	155,866
Additions	20,018	-	-	228	20,246
Disposals	(26,219)	-	(12)	(48)	(26,279)
Claims originated	-	-	-	-	-
Suspended claims	-	-	-	-	-
Classified as assets held-for - sale	(4,008)	-	-	-	(4,008)
As of December 31, 2013	<u>130,789</u>	<u>14,642</u>	<u>149</u>	<u>245</u>	<u>145,825</u>
Subsequent measurement to fair value	14,091	(54)	-	-	14,037
As of December 31, 2013	<u>144,880</u>	<u>14,588</u>	<u>149</u>	<u>245</u>	<u>159,862</u>

The fair value of properties for which lawsuits have been initiated is as follows:

	Fair value
As of December 31, 2012	347
Adjustment due to the circumstances related to lawsuits	(186)
Adjusted amount as of December 31, 2012	<u>161</u>
As of December 31, 2013	305
Adjustment due to the circumstances related to lawsuits	(156)
Adjusted amount as of December 31, 2013	<u>149</u>

According to the lawyers' team the lawsuits against the Company concerning entirely or partially the right of ownership of 614 decares of agricultural land will be lost and therefore, as of December 31, 2013 the fair value of these properties is adjusted with BGN 156 thousand to zero.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2013

All amounts are in thousand Bulgarian Levs, except otherwise stated

4. INVESTMENT PROPERTI (CONTINUED)

The Company has rental contracts for approximately 163,454 decares and 191,183 decares in 2013 and 2012, respectively. The realized income from rent for 2013 and 2012 amounts to BGN 5,797 thousand and BGN 5,886 thousand, respectively, and is reported in the statement of comprehensive income.

During the past financial year the Company has sold 46 069 decares of agricultural land at average prices of BGN 1 072 /decare.

In 2013 four of the lawsuits against the Company were concluded, concerning the right of ownership of 204 decares of agricultural land in one property in the regions of Silistra, one property in the region of Tourgovishte and one property in the region of Shumen. The purchase of fifteen properties was declared invalid and thus the notary deeds were revoked. The Company lost entirely the ownership of the properties and therefore, they were written-off at their carrying amount (BGN 78 thousand) from the properties owned at the end of the year.

5. NON-CURRENT ASSETS HELD FOR SALE

As of December 31, 2013 the Company has signed preliminary contracts for sale of 4,469 dca of land fields. In comparison, preliminary contracts signed as of December 31, 2012 comprise land filed of 1,330 dca in total and properties with different permanent use.

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

	As of 31.12.2013	As of 31.12.2012
Non-current assets held for sale	4,008	1,164
Total	<u>4,008</u>	<u>1,164</u>

6. RENT AND OTHER RECEIVABLES

	As of 31.12.2013	As of 31.12.2012
Advances to brokers and contractors	1,197	863
Rents, net of impairment	2,662	2,873
Interest on deposits in BGN and EUR	729	1,162
Compensations	2	2
Legal claims and writs	54	53
Other	13	15
Total	<u>4,657</u>	<u>4,968</u>

Advance Terrafund REIT has determined a direct relationship between rent receivables collection from agricultural producers and their subsidizing process.

Overdue receivables from rent as of December 31, 2013 and 2012 is BGN 529 thousand and BGN 389 thousand, respectively.

ADVANCE TERRAFUND REIT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2013

All amounts are in thousand Bulgarian Levs, except otherwise stated

6. RENT AND OTHER RECEIVABLES (CONTINUED)

Movement of provisions for impairment of receivables from rent for 2013 and 2012 is, as follows:

	<u>2013</u>	<u>2012</u>
Balance as of January 1	389	332
Provision accrued	170	66
Provision reversed	(30)	(9)
Balance as of December 31	<u>529</u>	<u>389</u>

7. ADVANCES TO SUPPLIERS

On September 14, 2009 Advance Terrafund REIT has signed a preliminary contract for purchase of a land of 38 dca in the area of Veliko Turnovo. The Company made an advance payment at the amount of BGN 1,879 thousand under the contract.

Due to the great delay in the execution of some of the underlying compulsory conditions for signing the final contract for purchase of the land, the Company negotiated with the sellers of the land and agreed to its termination. As per the agreement signed on April 25, 2012, the contract is terminated by mutual consent and the seller is obliged to return to Advance Terrafund REIT the paid advance of BGN 1,879 thousand and a compensation of BGN 100 thousand.

As of the end of the reporting period no payments were made yet as per the signed contract and the Company has accrued impairment of the advance, as follows:

	<u>As of 31.12.2013</u>	<u>As of 31.12.2012</u>
Balance as of January 1	1,316	1,879
Impairment accrued	(752)	(563)
Balance as of December 31	<u>564</u>	<u>1,316</u>

As of December 31, 2013 and December 31, 2012 the total amount of advances to suppliers amount to BGN 564 thousand and BGN 1,316 thousand, respectively.

8. CASH AND CASH EQUIVALENTS

	<u>As of 31.12.2013</u>	<u>As of 31.12.2012</u>
Cash on hand	36	101
Cash at current accounts in BGN	1,514	2,444
Bank deposits in BGN	62,509	73,473
Total	<u>64,059</u>	<u>76,018</u>

9. CURRENT TRADE AND OTHER LIABILITIES

	<u>As of 31.12.2013</u>	<u>As of 31.12.2012</u>
Payables to suppliers and brokers	226	143
Advances received	1,467	477
Payables to the service company (note 14)	882	1,008
Payables for dividends (note 16)	30,586	37,822
Other	3	39
Total	<u>33,164</u>	<u>39,489</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2013

All amounts are in thousand Bulgarian Levs, except otherwise stated

10. SHARE CAPITAL

	Number of shares	Nominal value, in BGN	Share capital
As of January 1, 2012	85,110	1	85,110
Shares issued in 2012	-	-	-
As of December 31, 2012	85,110	1	85,110
Shares issued in 2013	-	-	-
As of December 31, 2013	<u>85,110</u>	<u>1</u>	<u>85,110</u>

11. HIRED SERVICES

	Year ended 31.12.2013	Year ended 31.12.2012
Consulting (see note 11A)	6,746	7,750
Commissions	1,818	2,067
Annual fees	20	19
Advertising	43	40
Subsequent expenses for property management	132	270
Other expenses and fees	50	84
Total	<u>8,809</u>	<u>10,230</u>

11A. CONSULTING

	Year ended 31.12.2013	Year ended 31.12.2012
Remuneration of servicing company (Notes 12 and 14)	6,649	7,649
Audit services	60	60
Actuary services	15	17
Other consulting services	22	24
Total	<u>6,746</u>	<u>7,750</u>

12. SERVICE AGREEMENT

The Company has signed a service agreement with Karoll Finance EOOD, which owns 18,60% of the share capital of the Company. Under the agreement above, Karoll Finance EOOD provides consulting and administrative services, as well as recruitment services to the Company in return of an annual service fee, which comprises the following:

1. 0.375% of the value of investment properties of the Company at acquisition cost, payable on a quarterly basis;
2. 10% of lease and rent income of the Company, calculated at the end of each quarter;
3. 10% of the difference between the sale price and acquisition cost at sale under the condition that an internal rate of return (IRR) of minimum 15% calculated on an annual basis has been achieved upon sale.

The total fee under the service agreement for 2013 and 2012 is at the amount of BGN 6,649 thousand and BGN 7,649 thousand, respectively (note 14).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2013

All amounts are in thousand Bulgarian Levs, except otherwise stated

13. REMUNERATION OF THE COMPANY'S BOARD OF DIRECTORS AND MANAGEMENT

Remuneration paid in 2013 by the Company to the Board of Directors and the management is at the amount of BGN 68 thousand, which is unchanged in comparison with 2012.

The Company has not adopted a retirement plan and share-based payments to its employees.

14. RELATED PARTY TRANSACTIONS**2013**

	Payable at the beginning of the period	Charged during the period	Paid during the period	Payable at the end of the period
Consulting services "Karoll Finance" EOOD (servicing company under SIPCA)	1,008	6,649	6,775	882

2013

	Receivable at the beginning of the period	Charged during the period	Received during the period	Receivable at the end of the period
Leases "Agro Terra Sever" AD (a company under common control)	383	346	293	436
"Remuss" OOD (a company under common control)	215	154	167	202

2012

	Payable at the beginning of the period	Charged during the period	Paid during the period	Payable at the end of the period
Consulting services from servicing company under SIPCA "Karoll Finance" EOOD (servicing company under SIPCA)	1,196	7,649	7,837	1,008
Leases "Agro Terra Sever" AD (a company under common control)	301	310	228	383
"Remuss" OOD (a company under common control)	184	173	142	215

15. EARNINGS PER SHARE

	Year ended 31.12.2013	Year ended 31.12.2012
Net profit (BGN '000)	34,740	49,199
Weighted average number of shares, on a daily basis	85,110,091	85,110,091
Earnings per share (BGN)	0.41	0.58

Weighted average number of ordinary shares represents the total of ordinary shares in circulation at the beginning of the period, and ordinary shares in circulation issued or redeemed in the period, as each number of shares is preliminary multiplied by the time-weighting factor.

16. DIVIDEND PER SHARE

According to SIPCA, article 10, the Company is required to distribute dividends at least 90% of the financial result adjusted in accordance with article 10, paragraph 3 of SIPCA.

As of December 31, 2013 the Company accrued dividend at the amount of BGN 30,480 thousand (BGN 0.358 per share), which is expected to be paid to the shareholders in 2014, after resolution of the General meeting.

The amount of the dividend in 2013 is determined, as follows:

	Year ended 31.12.2013
Accounting profit, according to the statement of comprehensive income	34,740
<i>Adjustment for:</i>	
Expenses from subsequent valuation of property, net (art.10, para 3, item 1 of SIPCA)	(14,037)
Gains from transactions on property transfer (art.10, para. 3, item 2 of SIPCA)	(22,010)
Difference between market price and historical cost of properties (art.10, para. 3, item 3 of SIPCA)	35,174
<i>Adjusted financial result</i>	33,867
Dividend subject of distribution - 90% of the adjusted financial result	90%
Dividend payable	30,480

The amount of the dividend in 2012 is determined, as follows:

	Year ended 31.12.2012
Accounting profit, according to the statement of comprehensive income	49,199
<i>Adjustment for:</i>	
Expenses from subsequent valuation of property, net (art.10, para 3, item 1 of SIPCA)	(22,824)
Gains from transactions on property transfer (art.10, para. 3, item 2 of SIPCA)	(29,034)
Difference between market price and historical cost of properties (art.10, para. 3, item 3 of SIPCA)	44,644
<i>Adjusted financial result</i>	41,985
Dividend subject of distribution - 90% of the adjusted financial result	41,959
Dividend payable	(37,787)
Dividend payable in addition in 2012 based on prior period	4,172
Total dividend in 2012	34,652

Gross dividend of BGN 0.493 per share from the Company's equity has been voted at the regular annual General meeting of the shareholders held on May 16, 2013.

The Board of Directors of the Company defined the following conditions for the 2012 dividend payment:

1. Gross amount of dividend per share – BGN 0.493;
2. Net amount of dividend per share for individual shareholders – BGN 0.46835;
3. Commercial bank elected for the dividend payment – UBB AD;
4. Date on which the shareholder's composition is determined, according to the requirements of POSA – May 31, 2013;

16. DIVIDEND PER SHARE (CONTINUED)

5. Payment of dividend:

5.1. To shareholders with securities accounts in register A of the Central Depository AD (private accounts), the dividend will be paid via the UBB AD branches;

5.2. To shareholders with securities accounts in register B of the Central Depository AD (customer sub account with investment mediator), the dividend will be paid via the respective investment mediator, assisted by Central Depository AD;

6. Dividend payment opening date – June 20, 2013;

7. Dividend payment closing date – September 20, 2013.

8. After closing date within 5 year period each shareholder who has not received dividend for 2011 can receive it in cash or at bank account after submitting request at the Company's address - Sofia, Lozenets district, 1 Zlatovrach Str. or via fax – 02/4008331. Dividends not claimed and not received after the expiry of the five-year limitation period, are transferred to the Reserve Fund of the Company;

As of December 31, 2013 the Company has reported liabilities on unpaid dividends for 2012, 2011 and 2010 at total amount of BGN 106 thousand.

17. FINANCIAL RISK MANAGEMENT

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

Credit risk

The Company applies credit policies to attract customers with suitable credit reputation, for managing investment properties, appropriate credit history and financial abilities. The Company is not exposed to significant credit risks. Receivable balances are insured and monitored on a regular basis to ensure timely execution of necessary actions for their collection.

Liquidity risk

The Company monitors its cash flow position, and its debt maturity and overall liquidity position to assess its exposure to liquidity risk. The Company maintains sufficient level of cash and cash equivalents to finance its operations and to mitigate the effects of fluctuation in cash flows. The Company ensures the necessary funding through public offering of its shares and various credit facilities with financial institutions, using its investment properties as collaterals for loan agreements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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17. FINANCIAL RISK MANAGEMENT (CONTINUED)

As of December 31, 2013

FINANCIAL ASSETS	Up to 1 month	1-3 months	3 months- 1 year	Total
Cash and cash equivalents	1,550	7,000	55,509	64,059
Receivables from rents, net of impairment	1,472	-	1,190	2,662
Advances to suppliers	-	-	564	564
Interest receivables on deposits	-	179	550	729
Receivables from compensations	-	-	2	2
Court receivables	-	-	54	54
Other receivables	-	-	13	13
Total financial assets	3,022	7,179	57,882	68,083

FINANCIAL LIABILITIES	Up to 1 month	1-3 months	3 months- 1 year	Total
Advances received	59	57	1,351	1,467
Payables to suppliers and brokers	167	59	-	226
Payables to related parties	882	-	-	882
Dividends	106	-	30,480	30,586
Other liabilities	3	-	-	3
Total financial liabilities	1,217	116	31,831	33,164

As of December 31, 2012

FINANCIAL ASSETS	Up to 1 month	1-3 months	3 months- 1 year	Total
Cash and cash equivalents	12,545	43,541	19,932	76,018
Receivables from rents, net of impairment	1,526	-	1,347	2,873
Advances to suppliers	-	-	1,316	1,316
Interest receivables on deposits	119	882	161	1,162
Receivables from compensations	-	-	2	2
Court receivables	-	-	53	53
Other receivables	-	-	15	15
Total financial assets	14,190	44,423	22,826	81,439

FINANCIAL LIABILITIES	Up to 1 month	1-3 months	3 months- 1 year	Total
Advances received	-	164	313	477
Payables to suppliers and brokers	143	-	-	143
Payables to related parties	1,008	-	-	1,008
Dividends	35	-	37,787	37,822
Other liabilities	-	39	-	39
Total financial liabilities	1,186	203	38,100	39,489

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2013

All amounts are in thousand Bulgarian Levs, except otherwise stated

17. FINANCIAL RISK MANAGEMENT (CONTINUED)*Interest rate risk*

The value of the Company's assets depends on the dynamics of the market interest rates. The Company's activity is exposed to risk of interest rates fluctuations, as the income from interest-bearing fixed rate assets change as a result of market interest rates fluctuations. With respect to floating interest rate assets the Company is exposed to risk, resulting from changes in the interest rate index, to which the respective financial instrument is linked.

As of December 31, 2013	Up to 1 month	1-3 months	3 months-1 year	1-5 years	Non-interest bearing	Total
Assets						
Other receivables and advances	-	-	-	-	3,295	3,295
Interest receivables on deposits	-	179	550	-	-	729
Cash on 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

	Up to 1 month	1-3 months	3 months-1 year	1-5 years	Non-interest bearing	Total
Liabilities						
Payables to suppliers and brokers	-	-	-	-	226	226
Payables to related parties	-	-	-	-	882	882
Advances received	-	-	-	-	1,467	1,467
Dividend liability	-	-	-	-	30,586	30,586
Other	-	-	-	-	3	3
Total liabilities	-	-	-	-	33,164	33,164

As of December 31, 2012	Up to 1 month	1-3 months	3 months-1 year	1-5 years	Non-interest bearing	Total
Assets						
Other receivables and advances	-	-	-	-	4,259	4,259
Interest receivables on deposits	119	882	161	-	-	1,162
Cash on hand	-	-	-	-	101	101
Cash at banks	12,444	43,541	19,932	-	-	75,917
Total assets	12,563	44,423	20,093	-	4,360	81,439

	Up to 1 month	1-3 months	3 months-1 year	1-5 years	Non-interest bearing	Total
Liabilities						
Payables to suppliers and brokers	-	-	-	-	143	143
Payables to related parties	-	-	-	-	1,008	1,008
Advances received	-	-	-	-	477	477
Dividend liability	-	-	-	-	37,822	37,822
Other	-	-	-	-	39	39
Total liabilities	-	-	-	-	39,489	39,489

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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17. FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency risk

The Company is exposed to currency risk when dealing with financial instruments, denominated in foreign currency. Foreign currency transactions result in exchange rate gains and losses. As of December 31, 2013 and 2012 financial asset and investments are denominated in local currency and EUR. Due to the Currency board established in the country, the exchange rate of the Bulgarian lev is pegged to the Euro and do not expose the Company to currency risk. The Company has no exposures in currency different of BGN and euro as of that date.

Market risk

Market risk is a systematic risk, which influence the value of total assets. It arises from the macroeconomic environment characteristics and the capital market condition in the country. Market risk cannot be controlled by the Company and generally it cannot be diversified. Basic method to reduce the market risk and its components is the collection and processing of macroeconomic environment information and on which basis to forecast and adjust the investment policy to the expected changes in the environment.

The Company invests at least 80% of its portfolio in agricultural land and up to 20% in land in urban areas. Agricultural land is insignificantly exposed to risk of changes in prices and rents. The possible decrease in prices of agricultural properties is favorable for the Company's investment policy and the fixed increase in the rent price with 20% compared to the previous year increase the earnings from the investments. The risk increase in the sector refers mainly to real estate for construction and results from the global financial crisis. This situation cannot have a serious adverse effect on the financial position and performance of the Company's activities although the Company has taken measures to decrease the share of properties in urban territories with the purpose of limiting price risk. Advance Terrafund REIT continues its policy of investing in properties with high quality which respond to the necessities for the development of modern agriculture and renting to first-rate lessees at favorable for the Company conditions.

The structure of the investment portfolio is as follows:

	December 31, 2013		December 31, 2012	
	Fair value	% net assets at market value	Fair value	% net assets at market value
Agricultural land	145,274	90.87	141,224	90.61
Properties in urbanized territories	11,696	7.32	11,703	7.51
Properties in regulation	2,892	1.81	2,939	1.88
Total	<u>159,862</u>	<u>100.00</u>	<u>155,866</u>	<u>100.00</u>

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital risk

Company manages its capital to achieve maximum return for its shareholders by optimizing the capital structure. The Company's strategy remains unchanged since 2012. The capital structure consists of cash and cash equivalents and equity (see notes 8 and 10).

18. EVENTS AFTER THE REPORTING PERIOD

In January and February 2014 the Company has sold 737 decares at average price of BGN 1,154 per decare.

From the beginning of 2014 to the present moment the Company has signed preliminary sale agreements for 96 decares of land at total amount of BGN 69 thousand. As of the date of preparation of these financial statements the Company has received advances at the amount of BGN 24 thousand.

As of the date of preparation of these financial statements the Company has received receivables under contracts for lease and rent of land at the amount of BGN 252 thousand.

POLICY

ON THE REMUNERATIONS OF THE MEMBERS OF THE BOARD OF DIRECTORS OF ADVANCE TERRAFUND REIT

I. GENERAL PROVISIONS

Art. 1. /1/ The Remuneration Policy aims to determine the principles and requirements to be applied when determining and paying the remunerations of the members of the Board of Directors of ADVANCE TERRAFUND REIT in any and all forms, such as salaries, incentives, etc.

/2/ This Policy is drafted in compliance with the provisions of the Law on the Special Investment Purpose Companies, Regulation No 48 on remuneration requirements and the Statute of the Company and its amendments as at 7 July 2009.

/3/ The Remuneration Policy is in compliance with the investment purposes, the strategy, the long-term interests of the Company and includes measures to avoid conflicts of interest.

/4/ The Remuneration Policy is applied for remunerations, including salaries and other financial and material incentives, including pension benefits for the persons employed by the Company.

Art. 2. /1/ The Board of Directors of ADVANCE TERRAFUND REIT develops this Policy, reviews its basic principles from time to time and is responsible for its implementation.

/2/ Proposals for adopting the Policy and the amendments thereof are included as a separate item in the agenda of the regular annual General Assembly of the public company, as announced in the invitation pursuant to Art. 115, para 2 of the Law on Public Offering of Securities and are ratified by the General Assembly of the shareholders.

Art. 3. /1/ ADVANCE TERRAFUND REIT discloses before its shareholders the method for applying the Remuneration Policy in a report, which is a separate document accompanying the annual financial statements of the Company.

/2/ This Report under para 1 herein must include the content, ratified in Art. 13 of Regulation No 48 of the remunerations of the Financial Supervision Commission.

/3/ The Remuneration Policy, as adopted by the General Assembly of the shareholders, and the Report under para 1 herein, are published on the web page of the Company.

II. BASIC PRINCIPLES FOR THE IMPLEMENTATION OF THE REMUNERATION POLICY

Art. 4. The Company should follow the following principles when applying this Policy:

- compliance with the strategy, goals and long-term interests of the Company;
- encouraging reliable and effective management of the Company;
- discouraging risk-taking, exceeding the acceptable level for the Company;

- applying measures to avoid conflicts;
- the method for determining the remuneration of the members of the Board of Directors should not compromise their objectivity and should not give rise to such opportunity;
- compliance with the principles and best practices for protecting the interests of shareholders;

III. TYPES OF REMUNERATION

Art. 5. /1/ ADVANCE TERRAFUND REIT can pay the members of the Board of Directors fixed as well as variable remuneration.

/2/ In any and all instances when a remuneration is determined for the members of the Board of Directors, its amount must be in compliance with the rules for determining the amount of the remuneration of the members of the Board of Directors, as provided for in Art. 55 of the Statute of the Company and must be within the set management costs, as provided for in Art. 13 of the Statutes.

/3/ The variable remuneration is paid in compliance with objective and measurable criteria for achieved results in the Company business.

/4/ The achieved results criteria encourage the long-term stability of the company and include financial and non-financial indicators, relevant for the long-term operations of the company.

/5/ It is not intended to provide remuneration of the members of the Board of Directors in form of company shares, share options or other rights for acquisition of shares. No remunerations based on changes in the value of the company shares are intended.

IV. FIXED REMUNERATION

Art. 6. /1/ The fixed remuneration is in the form of payment to a member of the Board of Directors, which is not based on achieved results.

/2/ The amount of the fixed remuneration of a member of the Board of Directors is determined in a way that allows applying a flexible policy by ADVANCE TERRAFUND REIT regarding variable payment, including the option such remuneration not to be paid if the criteria for achieved results are not met, as well as when there is significant deterioration in the financial situation of the company.

/3/ The amount of the fixed remuneration of the members of the Board of Directors is determined by a decision of the General Assembly of the shareholders in compliance with the provisions of Art. 116c, para 1 of the Law on Public Offering of Securities.

/4/ The amount of the fixed remuneration of the CEO is stated in the signed Management Contract. This Management Contract is signed by the Chairperson of the Board of Directors.

V. VARIABLE REMUNERATION

Art. 7. /1/ By a decision of the General Assembly of the shareholders, in compliance with the provisions of Art. 116c, para 1 of the Law on Public Offering of Securities, a variable remuneration of the Board of Directors can be determined.

/2/ The variable remuneration is in the form of payment to a member of the Board of Directors, formed on the basis of achieved results.

/3/ Financial and non-financial criteria for achieved results are used in relation to the payment of variable remuneration.

Art. 8. /1/ The financial criteria for achieved results are:

1. Revenue from the usual operations of the company;
2. Positive gross financial result.

/2/ The specific parameters of the financial criteria under para 1 for each following calendar year are determined at the end of the current year by a decision of the Board of Directors, based on analysis of achieved results by the financial criteria, set for the previous year, as well as the ratified budget and strategy for the following calendar year.

/3/ The assessment of the implementation of the financial criteria for achieved results is performed annually, based on the certified annual financial statements of the company by an auditor.

Art. 9. /1/ The non-financial criteria for achieved results are determined annually by the Board of Directors of the Company according to the short-term and medium-term plans for the company development.

/2/ The assessment of the implementation of the non-financial criteria for achieved results is performed annually, based on analysis of achieved results by the non-financial criteria, set for the previous year.

VI. REQUIREMENTS FOR THE MANAGEMENT CONTRACTS ENTERED WITH THE MEMBERS OF THE BOARD OF DIRECTORS

Art. 10. /1/ The Management Contract entered with the executive member of the Board of Directors must include a provision, enabling the Company to require the reimbursement of a paid variable remuneration, based on the principles of Section V herein. Amounts, given on the basis of data which was proven inaccurate at a later date, are subject to reimbursement. This reimbursement decision is made by the General Assembly of the shareholders in the Company.

/2/ In the event of early termination of a Management Contract with the CEO, the total amount of compensations, payable to the person in relation to this early termination, as well as the payments associated with the term of the notice cannot exceed the amount of the paid annual fixed remunerations of the person for a period of two years.

/3/ Compensations under para 2 herein are not payable if the contract termination is based on unsatisfactory results and/or through fault of the CEO.

/4/ In the event of early termination of a Management Contract with the CEO due to breach of the provision prohibiting the person to perform competitive work, the person shall owe the company compensations in the amount not exceeding the paid annual fixed remunerations of the person for a period of two years.

VII. ADDITIONAL PROVISIONS

§1. This Policy is drafted by the Board of Directors of ADVANCE TERRAFUND REIT.

§ 2 This Policy comes into effect as at the date of its ratification by the General Assembly of the company shareholders.

§ 3 This Policy is ratified by a decision of the General Assembly of the company shareholders, held at ... May 2014.