

MINUTES

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

Today, 27 April 2015 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 **09 June 2015** at 1 Zlatovruh Str., Sofia, **12:00 noon**.

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

1. **Report on the activities of the company for 2014; *draft decision*** – the GA adopts the report on the activities of the company for 2014.

2. **Acceptance of the Certified Accountant's Report on the certified annual financial statements for 2014; *draft decision*** – GA adopts the Certified Accountant's Report on the annual financial statements for 2014.

3. **Approval of the certified financial statements for 2014 and making a decision for payment of dividends; *draft decision*** – GA approves the certified financial statements for 2014 and adopts the proposal of the Board of Directors for 99.97% of the profit for financial year 2014 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 25 541 276.31 to be distributed as dividends and sets a gross dividend of BGN 0.30 per share of the capital of the Company.

4. **Appointing a Certified Accountant /registered auditor/ for certification of the annual financial statements for 2015; *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, to attest the annual financial report of the Company for 2015.

5. **Releasing from liability the members of the Board of Directors for their activities in 2014; *draft decision*** – GA releases the members of the Board of Directors from liability for their activity in 2014.

6. **Accepting the report of the Audit Committee on its activities in 2014; *draft decision*** – GA accepts the report of the Audit Committee on its activities in 2014;

7. **Report of the Investor Relations Director on his activities in 2014; *draft decision*** – GA accepts the report of the Investor Relations Director;

8. 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 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 Regulation No 48 on remuneration requirements with the following meaning:

Art.10, para 1 and para 2 to be amended as follows:

"Art. 10. /1/ The Management Contract, respectively the Management Participation Contracts with the members of the Board of Directors shall contain a clause allowing the Company to require the return of variable remuneration paid, determined on the basis of the principles of Section V. Returnable shall be any and all amounts given based on data that later proved false. The decision for the return shall be adopted by the General Assembly of Shareholders of the Company.

/2/ In the event of early termination of a Management Contract, respectively Management Participation Contracts with a member of the Board of Directors, the total amount of compensation due to that person in relation to the early termination, as well as any and all payments in relation to the notice term shall not exceed the amount of annual fixed remunerations paid to the person for a period of two years."

9. 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 **24 June 2015 at 12:00 noon** 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 9 June 2015 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 2014; draft decision – the GA adopts the report on the activities of the company for 2014.

2. Acceptance of the Certified Accountant's Report on the certified annual financial statements for 2014; draft decision – GA adopts the Certified Accountant's Report on the annual financial statements for 2014.

3. Approval of the certified financial statements for 2014 and making a decision for payment of dividends; draft decision – GA approves the certified financial statements for 2014 and adopts the proposal of the Board of Directors for 99.97% of the profit for financial year 2014 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 25 541 276.31 to be distributed as dividends and sets a gross dividend of BGN 0.30 per share of the capital of the Company.

4. Appointing a Certified Accountant /registered auditor/ for certification of the annual financial statements for 2015; 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, to attest the annual financial report of the Company for 2015.

5. Releasing from liability the members of the Board of Directors for their activities in 2014; draft decision – GA releases the members of the Board of Directors from liability for their activity in 2014.

6. Accepting the report of the Audit Committee on its activities in 2014; draft decision – GA accepts the report of the Audit Committee on its activities in 2014;

7. Report of the Investor Relations Director on his activities in 2014; draft decision – GA accepts the report of the Investor Relations Director;

8. 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 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 Regulation No 48 on remuneration requirements with the following meaning:

Art.10, para 1 and para 2 to be amended as follows:

"Art. 10. /1/ The Management Contract, respectively the Management Participation Contracts with the members of the Board of Directors shall contain a clause allowing the Company to require the return of variable remuneration paid, determined on the basis of the principles of Section V. Returnable shall be any and all amounts given based on data that later proved false. The decision for the return shall be adopted by the General Assembly of Shareholders of the Company.

/2/ In the event of early termination of a Management Contract, respectively Management Participation Contracts with a member of the Board of Directors, the total amount of compensation due to that person in relation to the early termination, as well as any and all payments in relation to the notice term shall not exceed the amount of annual fixed remunerations paid to the person for a period of two years."

9. 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 – 27 April 2015 - 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 9 June 2015 is 26 May 2015. 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 24 June 2015 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**

<p>In the case of a shareholder – legal person</p> <p>I, the undersigned,, PIN, with identity document N°, issued on by, with address: town, street.N°, fl....., ap....., in its capacity of lawful representative of, with seat and registered office, street.....N°, fl....., UIC, - shareholder of, holding /...../ 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</p>

or

<p>In the case of a shareholder – natural person</p> <p>I, the undersigned,, PIN, with identity document N°, issued on by, with permanent address: town, streetN°, fl....., ap....., in my capacity of a shareholder of, holding /...../ registered dematerialized voting shares in 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</p>
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HEREBY AUTHORIZE

<p>In the case of a proxy – natural person</p> <p>....., PIN, identity card N°, issued by MoI on, address:....., street....., N°....., fl., ap.....,</p>
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Or

<p>In the case of a proxy – legal person</p> <p>....., with seat and registered office, street.....№., fl....., UIC, represented by, PIN, holder of identity document №, issued on by, with address: town., street.№, fl....., ap....., in its capacity of</p>
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to represent the **company managed by me/to represent me** at the regular session of the General Assembly of the shareholders of **ADVANCE TERRAFUND REIT** to be held on 9 June 2015 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 24 June 2015 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 2014; draft decision– the GA adopts the report on the activities of the company for 2014.

Manner of voting:

For, against, at his/her discretion, abstained

2. Acceptance of the Certified Accountant's Report on the certified annual financial statements for 2014; draft decision – GA adopts the Certified Accountant's Report on the annual financial statements for 2014

Manner of voting:

For, against, at his/her discretion, abstained

3. Approval of the certified financial statements for 2014 and making a decision for payment of dividends; draft decision – GA approves the certified financial statements for 2014 and adopts the proposal of the Board of Directors for 99.97% of the profit for financial year 2014 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 25,541,276.31 to be distributed as dividends and sets a gross dividend of BGN 0.30 per share of the capital of the Company.

Manner of voting:

For, against, at his/her discretion, abstained

4. Appointing a Certified Accountant /registered auditor/ for certification of the annual financial statements for 2015; 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, to attest the annual financial report of the Company for 2015.

Manner of voting:

For, against, at his/her discretion, abstained

5. Releasing from liability the members of the Board of Directors for their activities in 2014; draft decision – GA releases the members of the Board of Directors from liability for their activity in 2014.

Manner of voting:

For, against, at his/her discretion, abstained

6. Accepting the report of the Audit Committee on its activities in 2014; draft decision - GA accepts the report of the Audit Committee on its activities in 2014;

Manner of voting:

For, against, at his/her discretion, abstained

7. Report of the Investor Relations Director on his/her activities in 2014; draft decision – GA accepts the report of the Investor Relations Director;

Manner of voting:

For, against, at his/her discretion, abstained

8. 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 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 Regulation No 48 on remuneration requirements with the following meaning:

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Manner of voting:

For, against, at his/her discretion, abstained

9. 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.

PRINCIPAL:



**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 2014**

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 14 May 2014, with a mandate of two years and composition:

- Kamen Petrov Kamenov – Chairperson
- Zhechko Dimitrov Petrov – Member
- Petar Doynov Doynov – 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 2014 is the audit firm Deloitte Audit OOD.
- 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 2014 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 2015:*

- 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 2015.

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

26 March 2015

1. Kamen
.....

Kamenov

REPORT

ON THE IMPLEMENTATION OF THE POLICY ON THE REMUNERATIONS OF THE MEMBERS OF THE BOARD OF DIRECTORS OF ADVANCE TERRAFUND REIT FOR 2014

In this Report the Company discloses the method used to implement the Policy on the remuneration of the members of the Board of Directors and of the Executive Director, as developed by the Board of Directors and adopted at the General Assembly of the Shareholders held on 14 May 2014.

1. Information on the decision-making process when determining the remuneration policy, including, if applicable, information on the mandate and composition of the remuneration commission, the names of the external consultants whose services were used when determining the remuneration policy.

The Remuneration Policy of ADVANCE TERRAFUND REIT ("the Company") is adopted in compliance with Regulation No 48 as at 20 March 2013 on remuneration requirements by the Board of Directors of ADVANCE TERRAFUND REIT and was ratified by the General Assembly of Shareholders of the Company, held on 14 May 2014. ADVANCE TERRAFUND REIT has not set up a remuneration commission and has not used external consulting services when developing its remuneration policy.

The Remuneration Policy determines the principles and requirements on the remuneration of the members of the Board of Directors of ADVANCE TERRAFUND REIT and the practice of its determination and payment in compliance with the statutory requirements and the Statutes of the Company, not allowing for conflict of interests and unequal treatment of persons. Remunerations are formed based on the strategy and goals of the Company that determine its operations as well as the financial and economic performance.

2. Information on the relative weighting of the variable and fixed remuneration of the members of governing and supervisory bodies.

The Company pays the members of its governing body solely a fixed remuneration in the form of fixed monthly remuneration whose amount is determined by the General Assembly of the Company and is paid up under the terms and conditions of the management contracts entered between the members and the Company in accordance with the regulations provided for in the company Statutes.

The members of the Board of Directors may receive, as per a resolution of the General Assembly, additional remuneration /bonuses/ in the event of positive financial performance and in compliance with Art. 55 of the company Statutes. Both the variable and the fixed remuneration complies with the restrictive parameters of Art. 13 of the Statutes.

3. Information on the performance criteria based on which share options, Company shares or other types of variable remunerations are granted along with explanation how the criteria under Art. 14, para 2 and para 3 (Regulation No 48) contribute for the long-term interests of the Company

There are no plans for the provisions of additional remuneration in the form of shares, share options or other types of variable remunerations to the members of the Board of Directors, therefore no performance criteria thereof have been introduced.

4. Clarification on the evaluation methods applied when assessing whether the performance criteria have been met.

In compliance with the Remuneration Policy adopted, the payment of fixed monthly remuneration to the members of the Board of Directors of ADVANCE TERRAFUND REIT does not depend on the performance.

Any and all variable remunerations /bonuses/ and the payment thereof is determined by a resolution of the General Assembly of Shareholders based on performance, by using financial and non-financial criteria thereof, as detailed in the adopted Remuneration Policy. As at the date of the execution of this Report, the General Assembly of Shareholders has not voted nor paid any variable remunerations to the Board of Directors.

5. Clarification on the correlation between remuneration and performance.

The fixed remuneration of the Board of Directors does not depend on performance.

6. Principal payments and justification of the annual scheme for the payment of bonuses and/or any and all other non-cash additional remunerations paid.

The monthly remunerations are paid monthly via bank transfer. Bonuses are paid by a resolution of the General Assembly of Shareholders. As to date, such bonuses have not been determined.

7. Description of the main characteristics of the supplementary voluntary pension insurance scheme and information on the paid and/or outstanding company contributions in favour of the director for the relevant financial year, when applicable.

No supplementary voluntary pension insurance scheme is applied.

8. Information on the deferral periods when paying variable remunerations.

The General Assembly of Shareholders has not determined nor paid any variable remuneration to the members of the Board of Directors.

9. Information on the compensation policy in the event of contract termination.

In the event of early Management Contract termination, respectively Management Participation Contracts, with a member of the Board of Directors, the total amount of compensation cannot exceed the amount of the paid annual fixed remunerations of the person for a period of two years. Such compensations shall not be due in the event of early contract termination through fault of the member of the governing body and/or underperformance.

10. Information on the period when shares cannot be transferred and the share options cannot be exercised with variable remunerations based on shares.

No such remunerations are planned.

11. Information on the policy of preserving a certain number of shares until the end of mandate of the members of governing and supervisory bodies after the expiration of the period under item 10.

The Company does not have such policy.

12. Information on contracts of the members of governing and supervisory bodies, including the term of each contract, the term of termination notice and detailed information on compensations and/or any and all other due payments in the event of early termination.

The existing members of the Board of Directors have been elected for a period of 5 /five/ years by a resolution of the General Assembly of Shareholders of ADVANCE TERRAFUND REIT held at 17 May 2012. The members of the Board of Directors may be re-elected without limitation. The members of the Board of Directors have entered into Management Contracts for the term of exercising their relevant powers whereas such contracts can be terminated on the date of their resignation in compliance with the applicable statutory provisions. The Management Contracts with the Executive Director was signed on 17 May 2012 for a term of five years as at the date of signing, whereas this term may be extended by an annex in writing signed by both Parties. Any and all compensations provided for in the Remuneration Policy in the event of early contract termination with a member of the governing body are stated in item 9 herein.

13. Full remuneration amount and any and all other incentives to the members of governing and supervisory bodies for the relevant financial year.

The full remuneration amount of the members of the Board of Directors of the Company for the financial year 2014 amounts to BGN 68,400.00 /sixty-eight thousand and four hundred/.

14. Information on the remuneration of each person who has been a member of a governing or supervisory body in a public company for a certain period of time over the relevant financial year.

Not applicable for ADVANCE TERRAFUND REIT.

15. Information on the shares and/or share options and/or other incentive schemes based on shares.

The Company does not apply any incentive schemes based on shares.

Programme for the implementation of the remuneration policy for the following financial year.

This Remuneration Policy of ADVANCE TERRAFUND REIT was developed on the grounds of Regulation No 48 dated 20 March 2013 on the remuneration requirements by the Financial Supervision Commission in view of its long-term implementation in accordance to the management and development strategy of the Company. The Board of Directors thinks that the criteria set are objective and the existing practice of remuneration determination and payment to the members of the governing body is adequate and in compliance with the financial performance. In view of the foregoing, the Remuneration Policy shall be applied over the next financial year except in the event of an abrupt change in the financial position of the Company whereas such policy shall be revised and amended in order to reflect any and all changes.

Radoslav Manolov – Executive Director
ADVANCE TERRAFUND REIT

REPORT
of the
Investor Relations Director
of ADVANCE TERRAFUND REIT
for 2014

Dear Shareholders,

This Report on the activity of Atanas Dimitrov – Investor Relations Director of Advance Terrafund REIT for 2014 – was executed in compliance with the requirements of the Law on Public Offering of Securities (LPOS). It is presented to the shareholders at the Regular Annual General Assembly of Shareholders.

The main goals and guidelines of the activities of the Investor Relations Director over the reporting period were aimed at the performance of duties and responsibilities arising from the relevant provisions of LPOS, the Articles of Association of the Company and the Good Corporate Behavior Program.

Over the past 2014 I strived to maintain good and adequate communication in due course with you, that part of potential investors with vested interest in the Company, as well as with the general investor community. In the course of performing my obligations I have duly presented:

- information on the Company, required by LPOS, to the Financial Supervision Commission, the Bulgarian Stock Exchange (BSE), the Central Depository, as well as to any and all shareholders and investors requesting to inspect it;
- periodic and follow-up information under LPOC and Regulation No 2 on the prospectuses and information disclosure by public companies;
- further information to any and all stakeholders on the development investment activity.

Upon the initiative of the Company management, in 2014 another two meetings and conference discussions were held with the shareholders within the Investor's Day in May and November, where the results for the first and third quarter of the reporting year

and the plans for yearly activities were discussed. In 2014 the Company held numerous meetings and conference communications with the shareholders, discussing the results of the company activities, and parallel therewith, presented information on current market trends and the implementation of the development plans of the Company. Apart from this, Advance Terrafund REIT was present in the media with interviews of its executive director and journalistic pieces, focusing on the Company activities.

When performing its statutory obligations for information disclosure before the general public, in 2014 Advance Terrafund REIT used the website with the BSE www.x3news.com to publish its monthly bulletin and all reports as prescribed by law.

In my capacity of an Investor Relations Director, I ensured good communication between the company investors and its corporate management throughout the year. In all my activities I was guided by the equal shareholder treatment principle and the protection of their rights and interests by not disclosing information that is not subject to public domain. In this regard, I have presented information on the Company, its financial reports and investment activities, which I published monthly in Bulgarian and in English on the website with the BSE www.x3news.com. Thus, the information reached the existing and potential company investors, the financial analysts and financial journalists in due time. Upon announcing the relevant information before the capital market institutions and the general public as prescribed by law, such information was published on the webpage "Investor Relations", provided especially for that purpose on the Company's website (www.advanceterrafund.bg).

I have never allowed for any delays in presenting the periodic company information from the date of my appointment as Investor Relations Manager to the end of the reporting 2014. I have maintained continuous telephone communications with shareholders and investors and have promptly replied to their written applications and requests for submission of information.

I kept detailed minutes from all sessions of the Board of Directors of the Company throughout the year and received full cooperation by the Board in the performance of my obligations.

Sofia
27 April 2015

Respectfully Yours,

Atanas Dimitrov
Investor Relations Director,
Advance Terrafund REIT

Proposal of the Board of Directors for a decision under Agenda Item 3 on the distribution for the profit for 2014

The Board of Directors makes a proposal:

The GAS to approve the certified annual financial statements for 2014 and to distribute as dividend 99.97% of the profit for financial year 2014 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 25 541 276.31 to be distributed as dividends and sets a gross dividend of BGN 0.30 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 2015

The Board of Directors makes a proposal:

The GAS to appoint 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 audit and certify the annual financial statements of Advance Terrafund REIT as of 31 December 2015.

Proposal of the Board of Directors for a decision under Agenda Item 8 on 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 Regulation No 48 on remuneration requirements

The Board of Directors makes a proposal:

The GAS to ratify 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 Regulation No 48 on remuneration requirements with the following meaning:

Art.10, para 1 and para 2 to be amended as follows:

"Art. 10. /1/ The Management Contract, respectively the Management Participation Contracts with the members of the Board of Directors shall contain a clause allowing the Company to require the return of variable remuneration paid, determined on the basis of the principles of Section V. Returnable shall be any and all amounts given based on data

that later proved false. The decision for the return shall be adopted by the General Assembly of Shareholders of the Company.

/2/ In the event of early termination of a Management Contract, respectively Management Participation Contracts with a member of the Board of Directors, the total amount of compensation due to that person in relation to the early termination, as well as any and all payments in relation to the notice term shall not exceed the amount of annual fixed remunerations paid to the person for a period of two years."

ADVANCE TERRAFUND REIT

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

DECEMBER 31, 2014

(Unofficial translation of the original in Bulgarian)

ANNUAL REPORT ON THE ACTIVITIES

FOR 2014

ADVANCE TERRAFUND REAL ESTATE INVESTMENT TRUST

ANNUAL MANAGEMENT REPORT

2014

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 2014, 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 2014 amounts to BGN 85,110,091.

Investment strategy, purposes and limitations of the Company

Advance TerraFund REIT is a joint-stock special investment purpose company for securitization of real properties. The Company has the right to acquire 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:

- Lands in urbanized territories /settlements and villages/ designated for residential, public, production, warehousing, resort, recreational and sports functions;
- Lands in agricultural territories – arable land /fields, orchards, vegetable gardens, vineyards, meadows, etc./ and non-arable land;
- Lands 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 2014 include agricultural land of approximately 217,476 decares of total value of BGN 158,011 thousand, properties in the

process of regulation of approximately 128 decares of total value of BGN 11,312 thousand and regulated real property of approximately 11 decares of value of BGN 2,686 thousand, or a total of BGN 172,009 thousand.

The Company has signed rental agreements for agricultural land of approximately 162,707 decares and 163,454 decares as of the end of 2014 and 2013 respectively. The respective income from rent for 2014 and 2013 totalling BGN 5,872 and BGN 5,797 is reported in the income statement.

During the 2014 financial year, the Company realized sales of agricultural land of 31,462 decares at an average price of BGN 1,149 per decare.

During the reporting year, four more of the litigations against the Company concerning the right of ownership of agricultural land of 18 decares in one district of Targovishte and one district of Ruse were closed. The purchase of two properties was announced null and void and the related notary deed was cancelled. The Company lost partial rights of ownership of these properties, therefore they have been written off at carrying amount (BGN 12 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 77 decares of agricultural land will most likely be lost, therefore, as of 31 December 2014 the fair value of such property has been adjusted with BGN 28 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 2014	Year ended 31 December 2013
Income from interests	1,379	2,670
Gains on sales and exchanges of investment properties	13,661	22,010
Income from lease and rent of investment properties	5,872	5,797
Income from revaluation of investment properties, net	11,244	14,037
Other income	123	151
OPERATING INCOME	32,279	44,665

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 2014 are the funds raised through all capital increases 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 2014, 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	882	5,635	5,674	843

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	436	355	358	433
Remuss OOD	202	84	192	94

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 2014, 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 2014 include agricultural land of approximately 217,476 decares of total value of BGN 158,011 thousand, properties in the process of regulation of approximately 128 decares of total value of BGN 11,312 thousand and regulated real property of approximately 11 decares of value of BGN 2,686 thousand, or a total of BGN 172,009 thousand.

The Company has signed rental agreements for agricultural land of approximately 162,707 decares and 163,454 decares as of the end of 2014 and 2013 respectively. The respective income from rent for 2014 and 2013 totalling BGN 5,872 and BGN 5,797 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	3 719	1.71%
3	66 860	30.74%
4	78 194	35.96%
5	41 608	19.13%
6	17 487	8.04%
7	4 513	2.08%
8	1 670	0.77%
9	1 904	0.87%
10	1 390	0.64%
TOTAL	217 476	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	48 154	22.14%
Central Northern	55 450	25.50%
Northeastern	74 502	34.26%
Southeastern	11 914	5.48%
Central Southern	27 456	12.62%

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 2014, 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:

- Lands in urbanized territories /settlements and villages/ designated for residential, public, production, warehousing, resort, recreational and sports functions;
- Lands in agricultural territories – arable land /fields, orchards, vegetable gardens, vineyards, meadows, etc./ and non-arable land;
- Lands 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 2014	Year ended 31 December 2013
Debt	25,627	33,164
Cash in hand and cash equivalents	(48,452)	(64,059)
Net debt	(22,825)	(30,895)
Equity	198,209	199,886
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 2014 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 2014 liquidity ratios.

General liquidity ratio

	2014	2013	2012	2011	2010
Current assets	BGN 51,330 thousand	BGN 69,280 thousand	BGN 82,302 thousand	BGN 54,139 thousand	BGN 29,018 thousand
Current liabilities	BGN 25,694 thousand	BGN 33,264 thousand	BGN 39,534 thousand	BGN 20,946 thousand	BGN 5,179 thousand
General liquidity ratio	2.00	2.08	2.08	2.58	5.60

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.

	2014	2013	2012	2011	2010
Total current assets	BGN 51,330 thousand	BGN 69,280 thousand	BGN 82,302 thousand	BGN 54,139 thousand	BGN 29,018 thousand
Total current liabilities	BGN 25,694 thousand	BGN 33,264 thousand	BGN 39,534 thousand	BGN 20,946 thousand	BGN 5,179 thousand
Net working capital	BGN 25,636 thousand	BGN 36,016 thousand	BGN 42,768 thousand	BGN 33,193 thousand	BGN 23,838 thousand

The high liquidity which the Company continues to maintain as of 31 December 2014 is the result of 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 2014		154 001
Percentage of the capital as of 31 December 2014		0.18%

Person	Borislav Vitanov Petkov	
Position	Chairman of the Board of Directors	
Number of voting shares in the capital as of 31 December 2014		19 000
Percentage of the capital as of 31 December 2014		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

For the year ending as at 31 December 2014

Name	Position	Company
Borislav Vitanov Petkov	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 2014 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

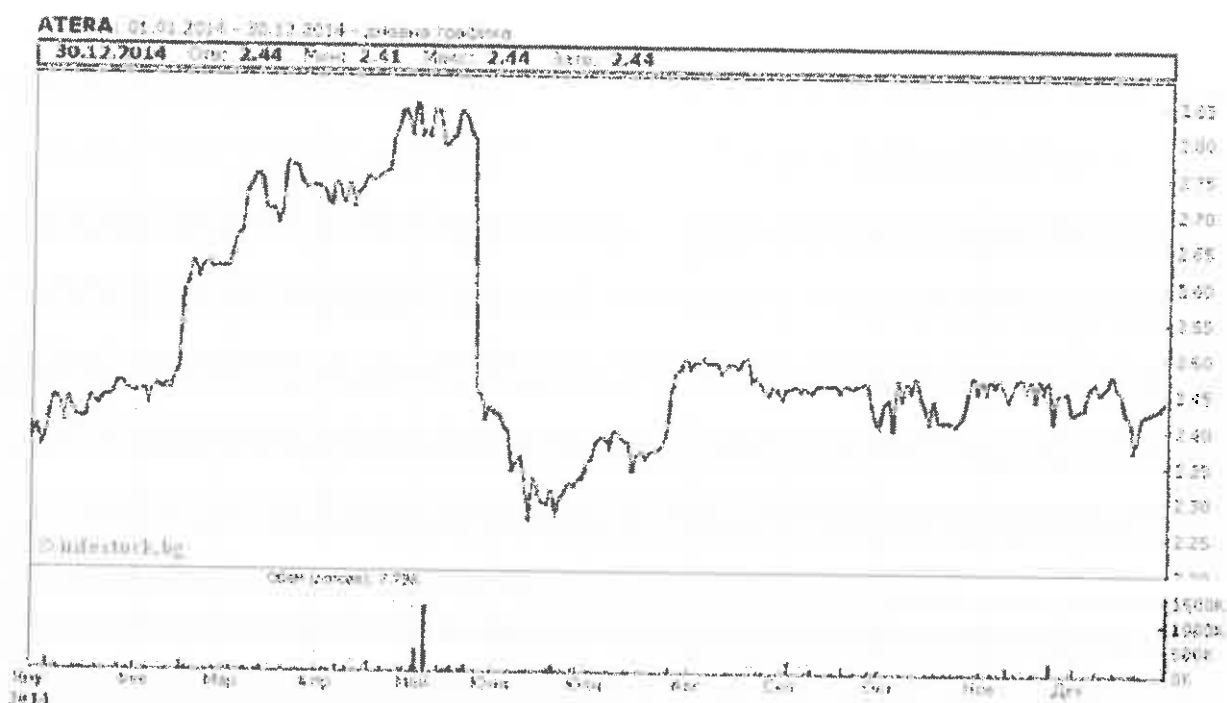
Pursuant to the provisions of Article 116 of the Law on Public Offering of Securities and the Statutes of the Company, the Investor Relations Director employed under a labour agreement is Atanas Todorov Dimitrov.

Correspondence address and telephone:

1 Zlatovrah Street, 1164 Sofia

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

22. Changes in the prices of the Company's shares during the period 1 January 2014 – 31 December 2014



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 2014 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 – 159 legal entities holding a total of 71,312,778 shares of the capital of Advance TerraFund REIT;
- Shares acquired by individuals – 1,390 individuals holding a total of 13,797,313 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 2014 are:

Name	Stanimir Marinov Karolev	
Manner of shares holding	Indirectly	
Number of voting shares in the capital as of 31 December 2014	17 344 307	
Percentage of the capital and the votes in the General Meeting	20.38%	

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 2014 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 2014	15,828,732	
Percentage of the capital and the votes in the General Meeting	18.60%	

Name	INTERNATIONAL FINANCE CORPORATION	
Number of voting shares in the capital as of 31 December 2014	15,068,523	
Percentage of the capital and the votes in the General Meeting	17.70%	

Name	ING Universal Pension Fund	
Number of voting shares in the capital as of 31 December 2014	5,571,120	
Percentage of the capital and the votes in the General Meeting	6,55 %	

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 2015 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 150,000 decares in 2015, of which over 162,000 decares are rented out as of the date of this report, i. e. 74 % 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 2014-2015.

On the 20th of February 2015, in issue 14 of the State Gazette the last amendments to the Agricultural Land Ownership and Usage Act (ALOUA) were promulgated, implementing restrictions to the Company shareholders and sanctions for violations thereof.

The provisions of Art. 3 of ALOUA provide:

Art. 3. (Am. - SG, issue 28 of 1992, issue 45 of 1995, am., issue 98 of 1997, am., issue 24 of 2007; am. and suppl., issue 38 of 2014)

(7) (New - SG, issue 38 of 2014) The following may not acquire and hold title over agricultural lands:

1. companies in which the partners or shareholders are directly or indirectly companies, registered in jurisdictions with preferential tax regime;

2. companies in which the partners or shareholders are foreign entities outside the individuals under para 4 and 5 or foreign legal entities outside the ones under para 4 and 6, as well as sole proprietorship limited liabilities companies established by such individuals or legal entities;

(4) (Am. - SG, issue 28 of 1992, am., issue 24 of 2007) Foreign nationals or foreign legal persons may acquire right of ownership over agricultural land under the conditions of an international treaty, ratified pursuant to the procedure of Art. 22, paragraph 2 of the Constitution of the Republic of Bulgaria, promulgated and entered into force, and the foreigner nationals - also by inheritance by law.

(5) (Нова. - ДВ, бр. 24 от 2007 г.) Citizens of the Member States of the European Union and of the states - parties to the European Economic Area Agreement may acquire right of ownership over agricultural lands pursuant to this Act after the expiry of the term defined in the Treaty of Accession of the Republic of Bulgaria to the European Union.

(6) (Нова. - ДВ, бр. 24 от 2007 г.) Legal persons from the Member States of the European Union or from the states - parties to the European Economic Area Agreement may acquire ownership over agricultural lands pursuant to the procedure of paragraph 5.

The problem of Advance Terrafund REIT as a public company arises from the fact that the texts of the cited provisions lack a significant peculiarity of the public companies, namely that the shares of these companies are freely transferable pursuant to the Law on Public Offering of Securities (LPOS).

A company, including its managing and/or supervisory bodies, cannot inspect or carry out any form of control over the trade with the issued shares thereof, or over the persons acquiring or transferring these shares.

Pursuant to the Law on the amendment and supplement of ALOUA /SG issue 14 of 20.02.2015 /the financial penalties on the newly adopted Art. 40a are as follows:

„(1) The company under Art. 3, para 7, which holds the right of ownership over agricultural lands, shall incur financial penalty to the amount of BGN 100 per every decare of agricultural land owned.

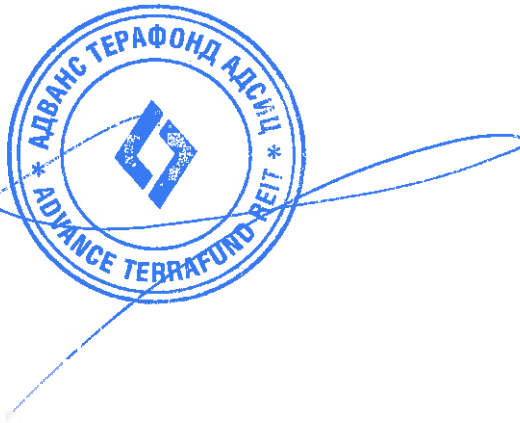
(2) Company which after three months after incurring a penalty under para 1 owns the right of ownership over agricultural lands, shall incur financial penalty in triple amount of the initially imposed sanction.

(3) For each subsequent offence para 2 shall apply."

The adopted sanctions shall enter into force as at 1 May 2015.

As to date Advance Terrafund REIT owns over 217 thousand decares of agricultural land and any violation of the provisions of Art. 3, para 7 of ALOUA would result in financial penalty to the amount of over BGN 21,700 thousand.

In order to protect the interests of its shareholders, the Company has undertaken all actions necessary to solve the problem above, as well as not to allow the sale of assets and payment of fines.



Radoslav Manolov
Executive Director

February 27, 2015

**INDEPENDENT AUDITOR'S REPORT AND
ANNUAL FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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

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, 2014 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, 2014, 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 and 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 2014, including 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 2014 been available, and these differences could be material. Our opinion is not modified in respect to this matter.
- We draw attention to note 18 to the accompanying financial statements where it is disclosed that on February 20, 2015 in State Gazette, issue 14 are published amendments to the Agricultural Land Ownership and Use Act (ALOUA), which introduce restrictions for the Company's shareholders and violation penalties. According to the accepted amendments ineligible to acquire and hold right of ownership over agricultural lands shall be commercial companies, in which partners and shareholders directly or indirectly are companies, registered in jurisdictions with preferential tax regimes, as well as commercial companies, where partners or shareholders are foreigners, other than citizens of member states of the European Union, and sole proprietor commercial companies, established by such natural or legal persons.

According to the Amendment act to ALOUA the property sanctions are as follows: a company which has ownership rights over agricultural land shall be penalised by a fine in the amount of BGN 100 on owned acre of land. A company that three months after the imposition of the first sanction has ownership rights over agricultural land shall be penalised by triple amount of the penalty initially imposed and this sanction shall be imposed for any following violation.

Approved sanctions are effective from May 1, 2015.

As of the present moment Advance Terrafund REIT owns over 217 thousand acres agricultural land and the violation of art. 3, para 7 of ALOUA would lead to property sanction at the amount of more than BGN 21,700 thousand. As of December 31, 2014 there have been no conditions for the accrual of a provision according to the requirements of IAS 37 as the sanction has been introduced with the changes in the law adopted on February 20, 2015.

- We draw attention to note 2 to the accompanying financial statements where it is disclosed that the financial statements have been prepared on the basis of the going concern assumption as of December 31, 2014. The operating mechanism of the law regarding the imposition of the newly introduced property sanctions as described above is still unsettled. The measures which the management is about to undertake to protect its shareholders and the Company's assets depend on the application of these legal amendments in 2015. These circumstances may lead to uncertainty regarding the application of the going concern assumption in the following reporting periods. 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, 2014, 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 27, 2015.

Deloitte Audit OOD

Deloitte Audit OOD



[Handwritten signature]

Desislava Dinkova
Proxy of the Statutory Manager Sylvia Peneva
Registered Auditor

February 27, 2015
Sofia

ADVANCE TERRAFUND REIT

STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2014


All amounts are in thousand Bulgarian Levs, except otherwise stated

	Notes	As of 31.12.2014	As of 31.12.2013
ASSETS			
Investment properties	4	172,009	159,862
Non-current assets held for sale	5	-	4,008
Rent and other receivables	6	2,878	4,657
Advances to suppliers	7	564	564
Cash and cash equivalents	8	48,452	64,059
TOTAL ASSETS		223,903	233,150
LIABILITIES			
Current liabilities	9	25,627	33,164
Provisions		67	100
TOTAL LIABILITIES		25,694	33,264
TOTAL NET ASSETS		198,209	199,886
EQUITY			
Share capital	10	85,110	85,110
Share premium		43,411	43,411
Retained earnings		69,688	71,365
TOTAL EQUITY		198,209	199,886

These financial statements were approved by the Board of and signed on behalf of Advance TerraFund REIT on February 27, 2015 by


 Radoslav Manolov
 Executive Director




 Yoana Georgieva
 Chief Accountant

The original financial statements have been signed by Desislava Dinkova, Registered Auditor and Proxy of the Statutory Manager Sylvia Peneva at Deloitte Audit OOD, on February 27, 2015.

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

ADVANCE TERRAFUND REIT

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014


All amounts are in thousand Bulgarian Levs, except otherwise stated

	Notes	Year ended 31.12.2014	Year ended 31.12.2013
Interest income		1,379	2,670
Income from sale of investment properties		36,135	49,382
Carrying amount of properties sold		(22,474)	(27,372)
		13,661	22,010
Income from rent of investment properties	4	5,872	5,797
Income from revaluation of investment properties, net		11,244	14,037
Other income		123	151
OPERATING INCOME		32,279	44,665
Hired services	11	(7,182)	(8,809)
Employee benefits		(117)	(117)
Finance costs		(4)	(3)
Impairment losses on receivables		(192)	(921)
Other expenses		(58)	(75)
OPERATING EXPENSES		(7,553)	(9,925)
NET PROFIT FOR THE YEAR		24,726	34,740
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		24,726	34,740
Earnings per share (BGN)	15	0.29	0.41

These financial statements were approved by the Board of and signed on behalf of Advance TerraFund REIT on February 27, 2015 by


 Radoslav Manolov
 Executive Director




 Yoana Georgieva
 Chief Accountant

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

ADVANCE TERRAFUND REIT

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2014

All amounts are in thousand Bulgarian Levs, except otherwise stated

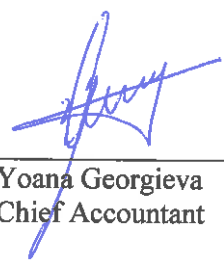
Notes	Year ended 31.12.2014	Year ended 31.12.2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Purchase of investment properties	(18,380)	(20,100)
Payments to suppliers and contractors	(1,701)	(2,394)
Proceeds from rentals and sales	42,597	56,340
Payments to employees	(120)	(109)
Interest received	1,851	3,103
Other cash flows used in operating activities	(6,485)	(7,470)
NET CASH FLOW FROM OPERATING ACTIVITY	17,762	29,370
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(33,365)	(41,326)
Other cash flows from financing activities	(4)	(3)
NET CASH FLOW USED IN FINANCING ACTIVITIES	(33,369)	(41,329)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(15,607)	(11,959)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	64,059	76,018
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	48,452	64,059

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These financial statements were approved by the Board of and signed on behalf of Advance TerraFund REIT on February 27, 2015 by


Radoslav Manolov
Executive Director




Yoana Georgieva
Chief Accountant

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

ADVANCE TERRAFUND REIT

STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2014


All amounts are in thousand Bulgarian Levs, except otherwise stated

	Share capital	Share premium	Accumulated profit	Total
BALANCE AS OF JANUARY 1, 2013	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
Total comprehensive income for 2014	-	-	24,726	24,726
Dividend (note 16)	-	-	(26,372)	(26,372)
Other changes	-	-	(31)	(31)
Other comprehensive income	-	-	-	-
BALANCE AS OF DECEMBER 31, 2014	85,110	43,411	69,688	198,209

These financial statements were approved by the Board of and signed on behalf of Advance TerraFund REIT on February 27, 2015 by


Radoslav Manolov
Executive Director




Yoana Georgieva
Chief Accountant

The original financial statements have been signed by Desislava Dinkova, Registered Auditor and Proxy of the Statutory Manager Sylvia Peneva at Deloitte Audit OOD, on February 27, 2015.

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, 2014 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, 2014 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, 2014 and December 31, 2013 the independent appraiser used the model "fair market value" (see note 3).

Standards and Interpretations effective in the current period

The following standards, amendments to the existing standards and interpretations issued by IASB and adopted by the EU are effective for the current period:

- 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).

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)

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:

- 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 - adopted by the EU on December 17, 2014 (amendments are to be applied for annual periods beginning on or after February 1, 2015);
- 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 - adopted by the EU on December 18, 2014 (amendments are to be applied for annual periods beginning on or after January 1, 2015);
- Amendments to IAS 19 Employee Benefits - Defined Benefit Plans: Employee Contributions - adopted by the EU on December 17, 2014 (effective for annual periods beginning on or after February 1, 2015),
- IFRIC 21 Levies, adopted by the EU on June 13, 2014 (effective for annual periods beginning on or after June 17, 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 (effective for annual periods beginning on or after January 1, 2018);
- IFRS 14 Regulatory Deferral Accounts (effective for annual periods beginning on or after January 1, 2016);
- IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after January 1, 2017);
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after January 1, 2016);
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after January 1, 2016);
- Amendments to IFRS 11 Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after January 1, 2016);
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after January 1, 2016);
- Amendments to IAS 1 Presentation of Financial Statements - Disclosure Initiative (effective for annual periods beginning on or after January 1, 2016);
- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants (effective for annual periods beginning on or after January 1, 2016);

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

- Amendments to IAS 27 Separate Financial Statements - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after January 1, 2016);
- Amendments to various standards Improvements to IFRSs (cycle 2012-2014) resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after January 1, 2016).

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.

These financial statements have been prepared under the historical cost convention except for the investment properties which are revalued at fair value. Other financial assets and liabilities and non-financial assets and liabilities are reported at amortized or historical cost.

Accounting assumptions and 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).

Going concern

The financial statements have been prepared under the going concern assumption. The amendments to Agricultural Land Ownership and Use Act (ALOUA), published on February 20, 2015 in State Gazette, issue 14 introduce restrictions for the Company's shareholders and violation penalties, disclosed also in note 18, which could lead to property sanction at the amount of over BGN 21,700 thousand. Changes in the legislation described above stipulate penalty by a triple amount of the one initially imposed, if three months after the first sanction the Company has still ownership rights over agricultural land in violation of art. 3, para 7 of ALOUA. This sanction shall be applied for each subsequent violation.

As of the date of the financial statements no mechanism for application of sanctions above, introduced with the change in legislation has been suggested.

With the purpose to protect its shareholders' interest the Company has initiated respective actions for resolving the stated above issue as well as for prevention of assets sale and fines payment.

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 2014 and 2013 are based on reports prepared by the independent appraisers, dated February 11, 2015 and February 14, 2014, 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2014

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**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.

4. INVESTMENT PROPERTIES

	Agricultural land	Regulated property	Properties for which lawsuits are initiated	Other	Total
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>
Carrying amount					
As of January 1, 2014	144,880	14,588	149	245	159,862
Additions	19,394	-	-	6	19,400
Disposals	(18,469)	-	-	(28)	(18,497)
Claims originated	(55)	-	55	-	-
Suspended claims	156	-	(156)	-	-
Classified as assets held-for - sale	-	-	-	-	-
As of December 31, 2014	<u>145,906</u>	<u>14,588</u>	<u>48</u>	<u>223</u>	<u>160,765</u>
Subsequent measurement to fair value	11,863	(590)	(29)	-	11,244
As of December 31, 2014	<u>157,769</u>	<u>13,998</u>	<u>19</u>	<u>223</u>	<u>172,009</u>

4. INVESTMENT PROPERTIES (CONTINUED)

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

	Fair value
As of December 31, 2013	305
Adjustment due to the circumstances related to lawsuits	<u>(156)</u>
Adjusted amount as of December 31, 2013	<u>149</u>
As of December 31, 2014	48
Adjustment due to the circumstances related to lawsuits	<u>(29)</u>
Adjusted amount as of December 31, 2014	<u>19</u>

According to the lawyers' team the lawsuits against the Company concerning entirely or partially the right of ownership of 77 decares of agricultural land will be lost and therefore, as of December 31, 2014 the fair value of these properties is adjusted with BGN 29 thousand.

The Company has rental contracts for approximately 162,707 decares and 163,454 decares in 2014 and 2013, respectively. The realized income from rent for 2014 and 2013 amounts to BGN 5,872 thousand and BGN 5,797 thousand, respectively, and is reported in the statement of comprehensive income.

During the past financial year the Company has sold 31 462 decares of of agricultural land at average prices of BGN 1 149 /decare.

In 2014 two of the lawsuits against the Company were concluded, concerning the right of ownership of 18 decares of agricultural land in one property in the region of Tourgovishte and one property in the region of Rousse. The purchase of two properties was declared invalid and thus the notary deeds were revoked. The Company lost partially the ownership of the properties and therefore, they were written-off at their carrying amount (BGN 12 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.

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

	As of 31.12.2014	As of 31.12.2013
Non-current assets held for sale	<u>-</u>	<u>4,008</u>
Total	<u>-</u>	<u>4,008</u>

ADVANCE TERRAFUND REIT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2014

All amounts are in thousand Bulgarian Levs, except otherwise stated

6. RENT AND OTHER RECEIVABLES

	As of 31.12.2014	As of 31.12.2013
Advances to brokers and contractors	463	1,197
Rents, net of impairment	2,096	2,662
Interest on deposits in BGN and EUR	226	729
Compensations	2	2
Legal claims and writs	78	54
Other	13	13
Total	2,878	4,657

Overdue receivables from rent as of December 31, 2014 and 2012 is BGN 677 thousand and BGN 529 thousand, respectively.

Movement of provisions for impairment of receivables from rent for 2014 and 2013 is, as follows:

	2014	2013
Balance as of January 1	529	389
Provision accrued	192	170
Provision reversed	(47)	(30)
Balance as of December 31	674	529

As of December 31, 2014 the Company has collected in advance more than 35% of its receivables under signed rent agreements for the current year.

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:

	As of 31.12.2014	As of 31.12.2013
Balance as of January 1	564	1,316
Impairment accrued	-	(752)
Balance as of December 31	564	564

As of December 31, 2014 the total amount of advances to suppliers is BGN 564 thousand which remains unchanged compared to 2013.

ADVANCE TERRAFUND REIT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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8. CASH AND CASH EQUIVALENTS

	As of 31.12.2014	As of 31.12.2013
Cash on hand	76	36
Cash at current accounts in BGN	1,419	1,514
Bank deposits in BGN	37,166	62,509
Bank deposits in EUR	9,791	-
Total	48,452	64,059

9. CURRENT TRADE AND OTHER LIABILITIES

	As of 31.12.2014	As of 31.12.2013
Payables to suppliers and brokers	161	226
Advances received	1,516	1,467
Payables to the service company (note 14)	843	882
Payables for dividends (note 16)	23,104	30,586
Other	3	3
Total	25,627	33,164

10. SHARE CAPITAL

	Number of shares	Nominal value, in BGN	Share capital
As of January 1, 2013	85,110	1	85,110
Shares issued in 2013	-	-	-
As of December 31, 2013	85,110	1	85,110
Shares issued in 2014	-	-	-
As of December 31, 2014	85,110	1	85,110

11. HIRED SERVICES

	Year ended 31.12.2014	Year ended 31.12.2013
Consulting (see note 11A)	5,732	6,746
Commissions	1,256	1,818
Annual fees	20	20
Advertising	28	43
Subsequent expenses for property management	102	132
Other expenses and fees	44	50
Total	7,182	8,809

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2014

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11A. CONSULTING

	Year ended 31.12.2014	Year ended 31.12.2013
Remuneration of servicing company (Notes 12 and 14)	5,635	6,649
Audit services	60	60
Actuary services	15	15
Other consulting services	22	22
Total	<u>5,732</u>	<u>6,746</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 2014 and 2013 is at the amount of BGN 5,635 thousand and BGN 6,649 thousand, respectively (note 14).

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

Remuneration paid in 2014 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 2013.

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

14. RELATED PARTY TRANSACTIONS**2014**

	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)	882	5,635	5,674	843

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2014

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14. RELATED PARTY TRANSACTIONS (CONTINUED)**2014**

	Receivable at the beginning of the period	Charged during the period	Paid during the period	Receivable at the end of the period
Leases				
“Agro Terra Sever”AD (a company under common control)	436	355	358	433
“Remuss” OOD (a company under common control)	202	84	192	94

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
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

15. EARNINGS PER SHARE

	Year ended 31.12.2014	Year ended 31.12.2013
Net profit (BGN ‘000)	24,726	34,740
Weighted average number of shares, on a daily basis	85,110,091	85,110,091
Earnings per share (BGN)	0.29	0.41

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, 2014 the Company accrued dividend at the amount of BGN 22,987 thousand (BGN 0.27 per share), which is expected to be paid to the shareholders in 2015, after resolution of the General meeting.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2014

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16. DIVIDEND PER SHARE (CONTINUED)

The amount of the dividend in 2014 is determined, as follows:

	Year ended 31.12.2014
Accounting profit, according to the statement of comprehensive income	24,726
<i>Adjustment for:</i>	
Expenses from subsequent valuation of property, net (art.10, para 3, item 1 of SIPCA)	(11,124)
Gains from transactions on property transfer (art.10, para. 3, item 2 of SIPCA)	(13,661)
Difference between market price and historical cost of properties (art.10, para. 3, item 3 of SIPCA)	25,600
<i>Adjusted financial result</i>	25,541
Dividend subject of distribution - 90% of the adjusted financial result	90%
Dividend payable	22,987

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 for allocation according to decision of the General meeting of the shareholders – 99.99% of adjusted financial result	33,865
Payable for dividend as of 31.12.2013 - 90% of the adjusted financial result	(30,480)
Payable for dividend to be additionally accrued in 2013 based on prior period	3,385
Total dividend for 2013	26,372

Gross dividend of BGN 0.3979 per share from the Company's equity has been voted at the regular annual General meeting of the shareholders held on May 14, 2014.

The Board of Directors of the Company defined the following conditions for the 2013 dividend payment:

1. Gross amount of dividend per share – BGN 0.3979;
2. Net amount of dividend per share for individual shareholders – BGN 0.378;
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 28, 2014;

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 23, 2014;

7. Dividend payment closing date – September 23, 2014.

8. After closing date within 5 year period each shareholder who has not received dividend for 2013 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, 2014 the Company has reported liabilities on unpaid dividends for the period 2010 – 2013 at the total amount of BGN 117 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, 2014

FINANCIAL ASSETS	Up to 1 month	1-3 months	3 months- 1 year	Total
Cash and cash equivalents	1,495	3,136	43,821	48,452
Receivables from rents, net of impairment	980	-	1,116	2,096
Advances to suppliers	-	463	-	463
Interest receivables on deposits	-	8	218	226
Receivables from compensations	-	-	2	2
Court receivables	-	-	78	78
Other receivables	-	-	13	13
Total financial assets	2,475	3,607	45,248	51,330

FINANCIAL LIABILITIES	Up to 1 month	1-3 months	3 months- 1 year	Total
Advances received	-	-	1,516	1,516
Payables to suppliers and brokers	161	-	-	161
Payables to related parties	843	-	-	843
Dividends	117	-	22,987	23,104
Other liabilities	3	-	-	3
Total financial liabilities	1,124	-	24,503	25,627

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2014

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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, 2014	Up to 1 month	1-3 months	3 months-1 year	1-5 years	Non-interest bearing	Total
Assets						
Other receivables and advances	-	-	-	-	2,652	2,652
Interest receivables on deposits	-	8	218	-	-	226
Cash on hand	-	-	-	-	76	76
Cash at banks	1,419	3,136	43,821	-	-	48,376
Total assets	1,419	3,144	44,039	-	2,728	51,330

	Up to 1 month	1-3 months	3 months-1 year	1-5 years	Non-interest bearing	Total
Liabilities						
Payables to suppliers and brokers	-	-	-	-	161	161
Payables to related parties	-	-	-	-	843	843
Advances received	-	-	-	-	1,516	1,516
Dividend liability	-	-	-	-	23,104	23,104
Other	-	-	-	-	3	3
Total liabilities	-	-	-	-	25,627	25,627

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

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, 2014 and 2013 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 90% of its portfolio in agricultural land and up to 10% 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 increase in the rent price compared to the previous year increases 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, 2014		December 31, 2013	
	Fair value	% net assets at market value	Fair value	% net assets at market value
Agricultural land	158,011	91.86	145,274	90.87
Properties in urbanized territories	11,312	6.58	11,696	7.32
Properties in regulation	2,686	1.56	2,892	1.81
Total	172,009	100.00	159,862	100.00

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 2013. The capital structure consists of cash and cash equivalents and equity (see notes 8 and 10).

18. EVENTS AFTER THE REPORTING PERIOD

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 83 thousand.

On February 20, 2015 in State Gazette, issue 14 the last amendments to Agricultural Land Ownership and Use Act (ALOUA) are published, which introduce restrictions for the Company's shareholders and violation penalties.

Art. 3 of ALOUA decrees:

Art. 3. (Amended - SG, No 28/1992, No 45/1995, No 98/1997, No 24/2007; No 38/2014)

(7) (New, SG No 38/2014) Ineligible to acquire and hold right of ownership over agricultural lands shall be:

1. commercial companies, in which partners and shareholders directly or indirectly are companies, registered in jurisdictions with preferential tax regimes;

2. commercial companies, where partners and shareholders are foreigners, other than any natural persons referred to in paragraphs 4 or 5 or any foreign legal persons other than those referred to in paragraphs 4 and 6, as well as sole proprietor commercial companies, established by such natural or legal persons;

(4) (Amended, SG No. 28/1992, SG No. 24/2007) Foreign nationals or foreign legal persons may acquire right of ownership over agricultural land under the conditions of an international treaty, ratified pursuant to the procedure of Article 22, paragraph 2 of the Constitution of the Republic of Bulgaria, promulgated and entered into force, and the foreigner nationals - also by inheritance by law.

(5) (New, SG No. 24/2007) Citizens of the Member States of the European Union and of the states - parties to the European Economic Area Agreement may acquire right of ownership over agricultural lands pursuant to this Act after the expiry of the term defined in the Treaty of Accession of the Republic of Bulgaria to the European Union.

(6) (New, SG No. 24/2007) Legal persons from the Member States of the European Union or from the states - parties to the European Economic Area Agreement may acquire ownership over agricultural lands pursuant to the procedure of paragraph 5.

18. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

Advance Terrafund REIT as a public company has a problem arising from the fact that the above quoted regulations does not cover material feature of public companies, namely that the shares of these companies are transferrable under the Public Offering of Securities Act (POSA).

The Company, including its managing and/or controlling persons, cannot examine or control the trade with issued own shares and the persons acquiring or transferring them.

According to the Amendment Act to ALOUA /SG No 14/20.02.2015/ property sanctions under new Art. 40a are as follows:

„(1) A company under Art. 3, para 7, which has ownership rights over agricultural land, shall be penalised by a fine in the amount of BGN 100 on owned acre of land.

(2) A company that three months after the imposition of a sanction under para 1 has ownership rights over agricultural land, shall be penalised by triple amount of the penalty initially imposed.

(3) For each subsequent violation shall be applied para 2.”

Approved sanctions are effective from May 1, 2015.

Currently Advance Terrafund REIT owns over 217 thousand acres agricultural land and violation of art. 3, para 7 of ALOUA would lead to property sanction at the amount of over BGN 21,700 thousand.

With the purpose to protect its shareholders' interest the Company has initiated respective actions for resolving the stated above issue as well as for prevention of assets sale and fines payment.