

ADVANCE TERRAFUND REIT

INTERIM FINANCIAL STATEMENTS

30th of June 2017

ADVANCE TERRAFUND REIT

STATEMENT OF FINANCIAL POSITION

AS AT 30th of JUNE 2017

All amounts are given in BGN thousands unless indicated otherwise

	Note	As at 30.06.2017	As at 31.12.2016
ASSETS			
Non-current assets			
Investment property	4	197,139	197,271
Financial lease receivables	6	1,973	2,012
Non-current assets		<u>199,112</u>	<u>199,283</u>
Current assets			
Assets held for sale	5	4,344	6,313
Financial lease receivables	6	589	942
Rent and other receivables	7	4,777	12,043
Advances to suppliers	8	274	564
Cash and cash equivalents	9	20,405	21,516
Current assets		<u>30,389</u>	<u>41,378</u>
TOTAL ASSETS		<u>229,501</u>	<u>240,661</u>
LIABILITIES			
Non-current liabilities			
Client's prepaid rent	10	2,660	2,525
Income for future periods	10	23	-
Non-current liabilities		<u>2,683</u>	<u>2,525</u>
Current liabilities			
Commercial and other liabilities	10	6,320	7,021
Dividend liabilities	18	180	13,244
Provisions	11	55	55
Current liabilities		<u>6,555</u>	<u>20,320</u>
TOTAL LIABILITIES		<u>9,238</u>	<u>22,845</u>
NET ASSETS		<u>220,263</u>	<u>217,816</u>
EQUITY			
Share capital	12	85,110	85,110
Issue premiums		43,411	43,411
Other reserves		3	3
Retained profit		<u>91,739</u>	<u>89,292</u>
TOTAL EQUITY		<u>220,263</u>	<u>217,816</u>

The Financial Statements were approved by the Board of Directors and signed on behalf of Advance TerraFund REIT on 27 July 2017 by:

Radoslav Manolov
Executive Director

Yoana Georgieva
Compiler

The enclosed Notes form an integral part of these Financial Statements.

ADVANCE TERRAFUND REIT

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30th of JUNE 2017

All amounts are given in BGN thousands unless indicated otherwise

	Note	For the period ended 30.06.2017	For the period ended 30.06.2016
Income from interests		66	91
Income from sales of investment property		5,624	2,514
Carrying amount of property sold		<u>(4,120)</u>	<u>(1,686)</u>
Income from the sale of property		1,504	828
Income from lease and rent of investment property	4	3,645	3,790
Reimburses losses from depreciation of advances to suppliers	8	700	-
Other income		<u>9</u>	<u>34</u>
OPERATING INCOME		<u>5,924</u>	<u>4,743</u>
Expenses on hired services	13	(2,030)	(1,653)
Payroll expenses		(63)	(65)
Loss from subsequent assessment of investment property		-	(15)
Financial expense		(1)	(1)
Other expenses		<u>(6)</u>	<u>(7)</u>
OPERATING EXPENSES		<u>(2,100)</u>	<u>(1,741)</u>
NET PROFIT		<u>3,824</u>	<u>3,002</u>
Other comprehensive income		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME		<u>3,824</u>	<u>3,002</u>
Earnings per share (BGN)	17	0.05	0.04

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ADVANCE TERRAFUND REIT

CASH FLOW STATEMENT

FOR THE PERIOD ENDED 30th of JUNE 2017

All amounts are given in BGN thousands unless indicated otherwise

	For the period ended 30.06.2017	For the period ended 30.06.2016
CASH FLOW FROM OPERATING ACTIVITIES		
Purchase of investment property	(2,485)	(4,450)
Payments related to business counterparties	512	(413)
Proceeds from rent and sales of investment property	16,887	5,253
Payments related to salaries	(71)	(73)
Interests received	4	24
Other cash flow from core activities	(1,709)	(1,953)
NET CASH FLOW (USED FOR) /FROM OPERATING ACTIVITIES	<u>13,138</u>	<u>(1,612)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Cash flows related to payment of dividends	(14,249)	(8,307)
Other cash flow from financing activities	-	(1)
NET CASH FLOW USED FOR FINANCING ACTIVITIES	<u>(14,249)</u>	<u>(8,308)</u>
CHANGES IN CASH AND CASH EQUIVALENTS	(1,111)	(9,920)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	9 <u>21,516</u>	<u>22,967</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	9 <u><u>20,405</u></u>	<u><u>13,047</u></u>

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ADVANCE TERRAFUND REIT

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30th of JUNE 2017

All amounts are given in BGN thousands unless indicated otherwise

	Share capital	Issue premiums	Other reserves	Retained earnings	Total
BALANCE AS AT 1 JANUARY 2016	85,110	43,411	-	92,910	221,431
Profit for 2016	-	-	-	10,159	10,159
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	10,159	10,159
Transactions with equity holders					
Dividend (Note 18)	-	-	-	(13,777)	(13,777)
Dividends with expired limitation period	-	-	3	-	3
BALANCE AS AT 31 DECEMBER 2016	<u>85,110</u>	<u>43,411</u>	<u>3</u>	<u>89,292</u>	<u>217,816</u>
Profit for the period ended on 30.06.2017	-	-	-	3,824	3,824
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	3,824	3,824
Operations with dividend holders (Note 18)	-	-	-	(1,377)	(1,377)
BALANCE AS AT 30 JUNE 2017	<u>85,110</u>	<u>43,411</u>	<u>3</u>	<u>91,739</u>	<u>220,263</u>

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1. BACKGROUND

Advance Terrafund REIT

Advance Terrafund REIT (“The Company”) is a public joint-stock company established at the Constituent Assembly from 12 April 2005, with initial capital amounting to BGN 500 thousand, allocated into 500,000 shares with par value of BGN 1 each. The Company was re-registered with the Trade Register of the Registry Agency under UIC 131418187. The seat and registered office of the Company are at 1 Zlatovruh Str., Sofia.

The Company’s subject of activity is investment of funds raised through public offering of securities in real estate (securitization of real estate) through purchase of right of ownership and other material rights on real estate and building constructions and improvements to them, with the purpose of their management, rental, leasing, and/or sale.

The special purpose legislation related to the activity of the Company is contained and arises mainly from the Act on the Special Investment Purpose Companies (ASIPC) and the Act on the Public Offering of Securities (APOS). On the basis of them the Company is subject to regulation by the Financial Supervision Commission (FSC). The Company obtained license № 10-ДСИЦ/08.12.2005, issued on the basis of Decision № 452-ДСИЦ from 14 July 2005 of the Financial Supervision Commission.

The Company has been established for an unlimited term.

The Company has a one-tier management system. The Board of Directors (BD) of the Company is composed of: Radoslav Iliev Manolov – Executive Director, Borislav Vitanov Petkov – Chairman of the BD and Nencho Invanov Penev – Member of the BD.

Karoll Finance EOOD is the servicing company of Advance Terrafund REIT, which as of 30 June 2017 is a shareholder holding 17,65% of the capital of Advance Terrafund REIT, rendering consultancy and other services, such as administrative, accounting and human resources services.

After the establishment of the company in 2005, five subsequent increases of the capital of the Company have been carried out, and as of 30 June 2017 the capital of the Company amounts to BGN 85,110,091.

Investment strategy, objectives and restrictions of the Company

Advance Terrafund REIT is a joint-stock company with the special investment purpose of securitization of real state. The Company has the right to acquire material rights only on agricultural, urbanized and forestry real estate located on the territory of the Republic of Bulgaria. As per the Statutes of Advance Terrafund REIT adopted at the Constituency Assembly of the Company from 12 April 2005, its investment objectives are:

- Providing its shareholders with the opportunity to invest in a diversified portfolio of real estate, acting on the principle of risk allocation;
- Ensuring for its shareholders retention and increase of the value of their investments through the realization of a stable income under a balanced risk allocation.

1. BACKGROUND (CONTINUED)

The strategy of the Company provides for investments in real estate meeting the requirements of Article 9 of the Statutes of Advance Terrafund REIT with the objective of receiving current revenues from rental and leasing contracts, transferred right of use and from the sale of these estates, with a view of the formation of a stable income. In order to achieve its main objective the Company may apply appropriate strategies to safeguard against market and currency risks.

Financial objectives:

- Ensuring a steadily increasing current income for the shareholders in the form of cash dividend through renting out the owned land;
- Maximizing the value of the investments of the shareholders through continuous active management of the Company's assets and acquisition/sale of agricultural land;
- Diversification of the portfolio of agricultural lands through investment in various types of agricultural real state (arable land, perennial plants, vineyards, etc.), located in various regions of the Republic of Bulgaria with the aim of reducing the non-systematic risks of the investment portfolio;
- Providing liquidity for the shareholders of the Company through listing of the shares of Advance Terrafund REIT for trade at Bulgarian Stock Exchange - Sofia;
- Making the necessary capital increases with the aim of structuring a balanced portfolio of real estate.

The investment policy of the Company provides that it invests the raised capital in real estate defined through their main and specific designation, as per the territory planning schemes and the detailed territory plan as follows:

- Real estates in urbanized territories /towns and villages / – designated for residential, public service, manufacturing, warehousing, resort, country housing, sports and entertainment functions;
- Real estate in agricultural territories – arable land /fields, orchards and vegetable gardens, vineyards, meadows, etc. / and non-arable lands;
- Land in forest territories – forests and forestry lands;

According to the investment policy of the Company the investments in land represent up to 90% of the 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 – no restrictions;
- Mortgage bonds issued following the procedures and terms of the Mortgage Bonds Act – up to 10% of the Company's assets.

The Act on the Special Investment Purpose Companies also allows for investments of up to 10% of the Company in one or more servicing companies.

2. BASIS FOR DRAFTING OF THE FINANCIAL STATEMENTS

The Company prepares and presents its financial statements on the basis of the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations on their application issued by the International Financial Reporting Interpretations Committee (IFRIC), adopted by the European Union and applicable in the Republic of Bulgaria.

The financial statements are executed based on the assumption that the Company is active and shall continue its business in the foreseeable future.

ASIPC requires the investment property of the Company to be valued at the end of each year. At the end of each financial year the investment property is valued by a licensed independent appraiser attested by the Ministry of Agriculture on the basis of Article 20, Paragraphs 1 and 2 of ASIPC. For the valuation of the investment property of the Company as of 31 December 2016 the independent auditor used the fair market value model (See Note 3).

The present financial statements are prepared in compliance with the convention of the historic price, with the exclusion of the investment property revaluated according to fair value. The other financial assets and liabilities and the non-financial assets and liabilities are accounted for according to depreciated or historic value.

Accounting assumption and accounting estimates

The drafting of the financial statements in compliance with IFRS requires from the management to make estimates and assumptions which influence the carrying amount of the assets and liabilities as of the date of the statement of financial position and the amount of the revenues and costs during the reported period, as well as on the disclosure of contingent assets and liabilities. Although these estimates are based on the most precise estimation of the current events by the management and the available information as of the date of issuance of the financial statements, the actual future results may differ from the estimates.

The main source of uncertainty for the Company regarding the assumptions and estimates is the assessment of the fair value of the investment property (see Note 3).

Functional currency and representation currency

According to the requirements of the Bulgarian accounting legislation the Company keeps accounts and drafts its financial statements in the national currency of the Republic of Bulgaria – the Bulgarian lev, which is the functional currency of the Company. From 1 January 1999, the Bulgarian lev has been pegged to the euro at an exchange rate of BGN 1.95583 = EUR 1.

3. KEY ELEMENTS OF THE ACCOUNTING POLICY

Investment property

The investment property in which the Company invests is land, held for revenues in the form of rent and with the purpose of capital increase.

The investment property is valued initially according to prime cost, including the price of acquisition and all direct costs related to the acquisition of the property.

The subsequent costs related to the investment property which has already been recognized are added to the carrying amount of the investment property when it is probable that the Company will receive future economic benefits connected with the asset and when the asset acquisition price can be reliably valued.

Subsequent valuations of the investment properties are made using the fair value model which values an investment property after an initial valuation according to acquisition price, with adjustments to the fair value, recognized in the statement of comprehensive income as profit and loss for the year.

The investment property is written off from the Report on Financial Position of the Company upon their implementation.

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

When evaluating the investment property of the Company as at 31 December 2016, the independent appraiser used the Fair Market Value model. The fair market value (FMV) is the most likely value at which a certain asset can be sold on a competitive market and in compliance with all conditions of correct sale, namely: the buyer and the seller act deliberately and are fully aware of any and all facts regarding the respective asset; both parties are led by their own interests; neither party acts under any form of duress, considering that the implementation term should not be unreasonably prolonged.

The following methods for evaluation of agricultural land and land in urbanized territories are applied:

- Evaluation method for determining current market prices;
- Comparative methods (market analogue);
- Liquidation value method;
- Method for determining a compensation price.

3. KEY ELEMENTS OF THE ACCOUNTING POLICY (CONTINUED)

Investment property (Continued)

The evaluation method for determining current market prices, according to the *Regulation for the Terms and Procedure for Establishing Current Market Prices of Agricultural Land*, reports the specific characteristics of the property (qualitative, quantitative, location, condition, etc.). Through differential administratively determined coefficients depending on the characteristics of the agricultural, a conclusion is drawn as to the market value of the appraised agricultural land, which may be used for purchase and sale, exchange or other types of transactions between the state and individuals and/or legal entities. When using this evaluation method the value of the land plot is determined as the product of three values: the initial price of the property, the sum of the adjusted coefficients plus 1, and the area of the respective property.

Market comparisons (analogues) – when using this method, the value of the appraised property is determined through a comparison of its key characteristics with the same or similar characteristics of other similar properties, for whose sale we have reliable data, including the prices of the deals. Furthermore, the closer to the moment of evaluation the deals we know of were carried out, the more reliable the concluded market value of the appraised property will be.

Liquidation value method – when using this method, the benefit of holding a given enterprise is evaluated through the hypothetical sale of its assets and not through their potential to generate income. The liquidation value method is preferred due to its ability to evaluate specific assets outside the context of the rest of the assets.

Method for determining compensation price – this is a method for determining a compensation when a property is expropriated for state purposes. Using this method is justified when there is little market evidence and when it is more difficult to determine its liquidation value due to peculiarities in the economic environment.

In order to determine a price by using the method for determining a compensation price, the appraiser determines the property value under the Local Taxes and Fees Act, taking into consideration all comparable coefficients and doubles their value.

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

Non-current assets held for sale

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

The Company estimates assets classified as held for sale at the lower of their carrying value immediately after their designation as held for sale and their fair value less costs to sell them.

3. KEY ELEMENTS OF THE ACCOUNTING POLICY (CONTINUED)

Financial lease - Leaseholder

When leasing assets within the terms of financial lease, the actual value of lease payments is recognized as financial lease receivables. The difference between the gross and actual value of the receivable is treated as financial income for future period but it is not recognized as liability in the statement for financial position. The profit from lease is recognized for the lease period using the net investment method in order to achieve continuous interest income in per cent over the residual principal amount.

The profit from the sales of assets is recognized in the profit and loss report for the respective period.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and in current accounts and deposits in banks with maturity of up to 3 months. The Management of the Company considers that deposits with maturity of up to 3 months meet the criteria for cash equivalents as they are easily convertible into cash with an immaterial loss of value. These deposits are convertible into cash without a written notice and without the Company being charged indemnities for early termination.

Financial instruments

All financial assets and liabilities are valued initially according to fair value, which is the fair value of the paid (for assets) or received (for liabilities) compensation. The financial assets include financial assets reported at fair value as profit or loss, loans and receivables held to maturity and financial assets available for sale.

The financial assets reported at fair value as profit or loss are subsequently valued according to fair value, where the changes in the fair value are recognized as profit or loss in the statement of comprehensive income. Financial assets available for sale are valued at fair value, where the changes in the fair value are reported in the equity. The loans, receivables and financial assets held to maturity are subsequently valued according to depreciated value using the method of the effective interest rate.

The debt and capital instruments are classified respectively as financial liabilities or equity, according to the respective contracts. A capital instrument is any contract which ensures residual value in the assets of the Company after the deduction of all liabilities. Capital instruments are accounted for according to the received returns, net from the issue costs. The financial liabilities are classified either as financial liabilities reported at fair value in the profit or loss, or as other financial liabilities. Each revenue/cost related to financial liabilities reported at fair value is accounted in the profit and loss report. The other financial liabilities, including loans, are initially valued according to fair value, net of the transaction costs. They are subsequently valued according to depreciated value using the method of the effective interest rate, with the costs for interest recognized on the basis of effective profitability.

3. KEY ELEMENTS OF THE ACCOUNTING POLICY (CONTINUED)

Financial instruments (continued)

As of the date of the statement of financial position, a review of the available financial assets is made for indications of depreciation or revaluation. In case that there are such indications, the recoverable value of the asset is determined and depreciation loss is recognized.

Operations in foreign currencies

Transactions denominated in foreign currencies are accounted for in BGN, according to the exchange rate of the Bulgarian National Bank (BNB) on the dates of the respective transactions. The assets and liabilities denominated in foreign currencies are accounted for as of the date of drafting of the statement of financial position, according to the closing exchange rate of BNB. Non-monetary assets and liabilities which are valued at historic price of acquisition in foreign currency are transformed into functional currency according to the exchange date as at the date of the initial transaction.

The profit and loss resulting from exchange rate variations and trade in currency are accounted for in the statement of comprehensive income as profit or loss for the period of their occurrence.

As at 1 January 1999 the Bulgarian lev has been pegged to the currency of the European Union, at an exchange rate of EUR 1 for BGN 1.95583. The fluctuations of all other currencies with respect to the BGN reflect the fluctuations of the same currencies with respect to the EUR at the international markets.

The Company does not have significant transactions in currencies different from the BGN and EUR and is not exposed to currency risks.

Revenue from sale of investment property

The revenue from the sale of investment property is reported when the Company transfers to a large extent the risks and benefits related to the title over the investment property to the client and does not retain effective control thereof, and also when it is certain that the Company will receive economic benefit related to such transaction. The sum of the revenue and costs incurred or to be incurred in relation to the transaction must be reliably measured. The revenue from sale is recognized when there is certainty that the sales receivables will be collected.

When selling investment property with deferred payment of the price, the Company recognizes revenue from sales when the risks and benefits are transferred to a large extent to the buyer, which takes place at the end of the contractual term, when the transaction price is paid and the next step is transferring the title over the investment property. The amounts received during the term of the contract outside the deposit amounts is recognized by the Company as income for future periods. The deposit amounts are recognized as revenue from rent on a linear base during the term of the contract.

Revenues from rent and lease of investment property

The revenues from renting out of investment property are recognized in the statement of comprehensive income in compliance with the principle of current accumulation for the term of the contract.

3. KEY ELEMENTS OF THE ACCOUNTING POLICY (CONTINUED)

Deposit interest income

The interest income is recognized proportionally to time by using the effective interest method.

The interest income from deposits is recognized for the current period in the statement of comprehensive income of the Company in compliance with the conditions of the deposit contract. The realized interest from securities held for trade is accounted for as interest income.

Taxation and interest requirement

The Company is established pursuant to the provisions of ASIPC and is exempt from taxation with Bulgarian corporate tax on profit, provided that it distributes in favour of the shareholders 90 % of its annual profit or 90 % of its financial results if it is less than the annual profit. In compliance with ASIPC provisions, the Company calculates the payable dividend at the end of each financial year and recognizes such dividend as liability as at the date of the statement on financial position, thus meeting the requirement for current liability in compliance with IAS 37.

As a result, the Company does not owe and has not calculated current and deferred tax on profit for the relevant period in these financial statements.

Core capital

Ordinary registered dematerialized shares are classified as core capital.

Costs on the emission of new shares which are directly related to it are reported in the core capital as decrease in revenues from the emissions, eliminating the taxation effect on the revenue.

Provisions

Provisions are reported in the occurrence of actual judicial, constructive or statutory obligation of the Company as a result of past events and when it is expected that cash outflows may occur for repayment of such obligation and when the amount of the obligation itself can be determined with reasonable certainty. Provisions for future losses from activities are not recognized.

Provisions are determined based on the current value of expected costs for settling the obligation by using rate before tax which reflects the evaluation of the current market condition, the value of money in time and the risks specific for the obligation. Provision increase as a result of time is recognized as costs for interest.

Operating costs

Operating costs include costs for hired services, personnel costs, costs from depreciation of receivables, financial and other costs. They are recognized in the profit and loss report in the period of their occurrence based on the principle of current accrual.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 30th of JUNE 2017
All amounts are given in BGN thousand unless indicated otherwise

4. INVESTMENT PROPERTY

	Agricultural land	Property in regulation	Property against which there are lawsuits filed	Other	Total
Hierarchy level of fair values	3	3	3	3	
Fair value					
As of 1 January 2016	188,910	14,449	11	206	203,576
Acquired during the year	7,755	-	-	-	7,755
Derecognized during the year	(10,297)	-	-	-	(10,297)
Claims filed	(32)	-	32	-	-
Claims terminated	45	-	(45)	-	-
Classified as assets held for sale (Note 5)	(6,313)	-	-	-	(6,313)
As of 31 December 2016	180,068	14,449	(2)	206	194,721
Subsequent valuation to fair value	1,365	1,183	2	-	2,550
As of 31 December 2016	181,433	15,632	-	206	197,271
Fair value					
As of 1 January 2017	181,433	15,632	-	206	197,271
Acquired during the period	2,019	-	-	-	2,019
Derecognized during the period	(1,822)	-	-	-	(1,822)
Claims filed	-	-	-	-	-
Claims terminated	-	-	-	-	-
Classified as assets held for sale (Note 5)	(329)	-	-	-	(329)
As of 30 June 2017	181,301	15,632	-	206	197,139
Subsequent valuation to fair value	-	-	-	-	-
As of 30 June 2017	181,301	15,632	-	206	197,139

According to data from the legal team, as of 30 June 2017 all lawsuits against the Company concerning the title over property have been concluded and therefore there is no need for adjustment of the fair value of the property for lawsuit-related circumstances.

As of 30 June 2017 the Company has concluded rent and lease agreements for economic year 2016-2017 for approximately 163,185 decares of agricultural land. The realised income from rent and lease amount to BGN 3,645 thousand and are reported in the comprehensive income.

For comparison, the rent and lease agreements concluded as at 30 June 2016 for the preceding 2015-2016 economic year are for 173,234 decares of agricultural land and the realized income thereof amounts to BGN 3,790 thousand.

4. INVESTMENT PROPERTY (CONTINUED)

Evaluation process

The investment properties of the Company were evaluated as at 31 December 2016 by an independent licensed appraiser with the required professional qualification and with actual observations on the locations of the appraised investment property. The current use of all investment property is considered the best and the most effective.

The Financial Department of the Company includes a team reviewing the evaluations carried out by the independent appraiser for financial and accounting purposes. The team reports directly to the CEO and the Audit Committee. Discussions on the evaluation process and the results thereof are held between the CEO, the Financial Department team and the independent appraiser at least once every quarter in relation to the drafting of the interim financial statements of the Company.

At the end of each financial year the Financial Department:

- Confirms all key data in the report of the independent appraiser;
- Reflects the fluctuations in the property evaluation as opposed to the preceding appraiser's report;
- Holds discussions with the independent appraiser.

Changes in Level 3 of the fair value are analyzed at the end of each reporting period during the discussions between the CEO, the Financial Department team and the independent appraiser. As part of the discussion, the team presents a report clarifying the reasons for the fluctuations when determining the fair value.

Evaluation techniques serving as basis for the management's evaluation of the fair value

The investment property evaluation with total carrying amount of BGN 197,139 thousand as at 30 June 2017 (BGN 197,271 thousand as at 31 December 2016) is based on the market analogues method. When applying this method, the value of the appraised property is formed by comparing their key characteristics /area, quality, improvements made/ with the same or similar characteristics of property for which there is reliable data, including on the process of transactions between third parties. The key moment when applying the market analogues method is determining a price per decare for the appraised property.

5. ASSETS HELD FOR SALE

As at 30 June 2017, the Company has signed preliminary agreements for sale of 5,072 decares of agricultural land. (31 December 2016: 7,468 decares of land).

5. ASSETS HELD FOR SALE (CONTINUED)

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

	As at 30.06.2017	As at 31.12.2016
Balance at the start of the period	6,313	5,003
Sold during the period	(2,298)	(5,003)
Classified as held for sale during the period (Note 4)	329	6,313
Balance at the end of the period	<u>4,344</u>	<u>6,313</u>

6. FINANCIAL LEASE RECEIVABLES

In 2015 the Company started the sale of agricultural land by virtue of financial lease agreements which continue this year as well. The land is conceded for use by the lessees upon agreement execution and the transfer of title shall be done after the expiry of the lease agreement unless the lessees wish to exercise the option of early purchase of the property by transferring the outstanding contractual amount.

The financial lease agreements shall be valid for a term of 5 /five/ years and shall become effective upon payment of admission fee. The payment shall be effectuated through equal annual instalments.

As at 30 June 2017

	Up to 1 year	From 1 to 5 years	Total
Gross investment in lease agreements	701	2,127	2,828
Unearned financial income	(112)	(154)	(266)
Carrying value	<u>589</u>	<u>1,973</u>	<u>2,562</u>

As at 31 December 2016

	Up to 1 year	From 1 to 5 years	Total
Gross investment in lease agreements	1,075	2,221	3,296
Unearned financial income	(133)	(209)	(342)
Carrying value	<u>942</u>	<u>2,012</u>	<u>2,954</u>

7. RENT AND OTHER RECEIVABLES

	As at 30.06.2017	As at 31.12.2016
Advances to brokers and partners, gross	1,044	559
<i>Depreciation</i>	-	-
Advances to brokers and partners, net	1,044	559
Receivables from rent, gross	4,314	2,920
<i>Depreciation</i>	(633)	(636)
Receivables from rent, net from depreciation	3,681	2,284
Receivables from property sales	-	9,133
Receivables from indemnities	2	2
Court and adjudicated receivables	38	34
Other	12	31
Total	<u>4,777</u>	<u>12,043</u>

7. RENT AND OTHER RECEIVABLES (CONTINUED)

The amount of the outstanding rental receivables is BGN 633 thousand and BGN 636 thousand as of 30 June 2017 and 31 December 2016, respectively.

The fluctuation of provisions for depreciation of receivables from rents in 2017 and 2016 is as follows:

	<u>As at 30.06.2017</u>	<u>As at 31.12.2016</u>
Balance as at the 1 st of January	636	516
Accrued provision	-	280
Restored provision	(3)	(28)
Written-off provision against the carrying amount of receivables	-	(132)
Balance at the end of the period	<u>633</u>	<u>636</u>

As of 30 June 2017 the Company has collected as advance payment over 44% of its receivables under the signed contracts for lease for the current economic year 2016-2017.

As at 30 June 2017 and 31 December 2016 the fair value of commercial and other receivables is approximately equal to their carrying amount provided that their maturity is short-term.

8. ADVANCE PAYMENTS TO SUPPLIERS

On 14 September 2009 Advance Terrafund REIT signed a preliminary contract for purchase of a landed property of 38 decares in the area of the town of Veliko Tarnovo. Pursuant to this contract the Company has made an advance payment amounting to BGN 1,880 thousand.

Due to a substantial delay, the implementation of part of the mandatory provisions for signing a final agreement for purchase of the property, the Company negotiated with the sellers and reached an agreement on termination of the contract. Pursuant to an agreement signed on 25 April 2012, the contract was terminated by mutual agreement and the seller agreed to return to Advance Terrafund REIT the advance payment to the amount of BGN 1,880 thousand as well as compensation to the amount of BGN 100 thousand.

At the end of January 2017 the Company received BGN 1,000 thousand, which are part of the advance, subject to recovery, under the preliminary contract for purchase of a landed property. The buyer is expected to return the remainder of the advance before depreciation, to the amount of BGN 880 thousand, together with the agreed compensation of BGN 100 thousand, by the 30th of June 2017.

As of the end of the reporting period, there are still no payments made on this agreement and therefore the Company carried out advance depreciation as follows:

	<u>As at 30.06.2017</u>	<u>As at 31.12.2016</u>
Receivables from granted advances suppliers, gross	880	1,880
<i>Accrued depreciation</i>	<i>(616)</i>	<i>(1,316)</i>
Receivables from granted advances suppliers, net	<u>264</u>	<u>564</u>

8. ADVANCE PAYMENTS TO SUPPLIERS (CONTINUED)

The fluctuation in the receivables depreciation provision on advances given to suppliers is as follows:

	As at 30.06.2017	As at 31.12.2016
Balance as at the 1 st of January	1,316	1,316
Accrued depreciation	-	-
Restored depreciation	(700)	-
Balance at the end of the period	<u>616</u>	<u>1,316</u>

9. CASH AND CASH EQUIVALENTS

	As of 30.06.2017	As of 31.12.2016
Cash on hand	129	132
Cash in BGN on demand account in BGN	20,276	4,364
Cash in BGN deposits	-	17,020
Total	<u>20,405</u>	<u>21,516</u>

10. COMMERCIAL AND OTHER LIABILITIES

	As at 30.06.2017	As at 31.12.2016
Non-current part		
Prepaid rents from clients	2,660	2,525
Current part		
Liabilities to suppliers and brokers	51	75
Received advances and prepaid rents (see Note 10.1)	5,349	6,081
Liabilities to the servicing company (Note. 16)	723	861
Tax liabilities on paid dividends	192	
Other	5	4
Total	<u>6,320</u>	<u>7,021</u>
Total	<u>8,980</u>	<u>9,546</u>

10.1. RECEIVED ADVANCES AND PREPAID RENTS

	As at 30.06.2017	As at 31.12.2016
Non-current part		
Prepaid rents from clients /non-current part/	2,660	2,525
	<u>2,660</u>	<u>2,525</u>
Current part		
Advances on lease agreements for economic year 2016-2017	702	1,909
Advances on lease agreements for economic year 2017-2018	546	-
Advances on financial lease agreements	125	158
Advances on contracts for purchase of property	2,749	3,236
Advances on contracts for purchase of property with deferred payment	471	-
Prepaid rents from clients /current part/	756	778
	<u>5,349</u>	<u>6,081</u>
	<u>8,009</u>	<u>8,606</u>
Total	<u>8,009</u>	<u>8,606</u>

In 2016 the Company started signing contracts for the sale of agricultural land with deferred payment. The contracts are valid for a term of 5 /five/ years and become effective upon payment of admission fee. The payment is effectuated through equal annual installments.

The lands are made available for use by the buyer upon signing the contract, whereas the transfer of title shall be effectuated upon the full and final payment. The contracts are binding for the Company but not for its clients, since at any given moment during the term of the contract the clients are entitled to cancel the purchase of the property. In such cases, the Company keeps the deposits paid by the clients, whereas any and all payment over the amount of the deposit is returned to the clients. Therefore, the Company reports revenues from the sale of land with deferred payment at the moment of the legal transfer of the title over the lands that coincides with the moment of receiving the full amount of the price from the client.

The Company recognizes the deposits collected under sale agreements with deferred payment as revenue from rent in the report on the comprehensive income on a current linear basis throughout the entire term of the agreement.

The Company recognizes the amounts received outside the deposit throughout the term of the agreement as income for future periods (as at 30 June 2017: BGN 23 thousand).

From the start of 2016 until the end of the reporting period the Company signed contracts for the sale of 13,960 decares of agricultural land with deferred payment.

As at 30 June 2017 and 31 December 2016, the fair value of the commercial and other liabilities is approximately equal to their carrying amount provided that their maturity is short-term.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30th of JUNE 2017

All amounts are given in BGN thousand unless indicated otherwise

11. PROVISIONS

	For the period ending at 30.06.2017	For the year ending at 31.12.2016
Balance at the start of the year	55	329
Accrued provisions during the period	-	-
Cancelled provisions during the period	-	(274)
Balance at the end of the period	<u>55</u>	<u>55</u>

According to data from the legal team on the lawsuits filed against buyers of properties from the Company concerning the ownership rights over already sold properties, such lawsuits will be lost and the buyer will be removed from the properties. Therefore, the Company has accrued provisions for the repayment of the received sales price of the buyers.

In 2016 two of the above lawsuits were terminated and along with this, the Company's obligations for reimbursement were cancelled. The amount of provisions has been reduced by BGN 274 thousand.

12. CORE CAPITAL

The registered capital of the company comprises 85 110 091 fully paid ordinary registered dematerialized share with par value of BGN 1 each. All shares have the right to dividend and liquidation share and have one voting right at the General Meeting of Shareholders in the Company.

	Number of shares	Par value, BGN	Main capital (in BGN thousands)
As of 1 January 2016	85,110	1	85,110
Shares issued in 2016	-	-	-
As of 31 December 2016	85,110	1	85,110
Shares issued in 2017	-	-	-
As of 30 June 2017	<u>85,110</u>	<u>1</u>	<u>85,110</u>

The list of main shareholders in the Company is represented as follows:

	30 June 2017 Number of shares	30 June 2017 %	31 December 2016 Number of shares	31 December 2016 %
International Finance Corporation	15 068 523	17.70	15 068 523	17.70
Karoll Finance EOOD	15 022 594	17.65	15 022 594	17.65
NN Universal Pension Fund	5 699 453	6.70	5 699 453	6.70
	<u>35 790 570</u>	<u>42.05</u>	<u>35 790 570</u>	<u>42.05</u>

As at 30 June 2017 the remaining part of the share capital is held by 177 legal entities /30 271 069 shares/ and 1 651 individuals /19 048 452 shares/, each of whom holding less than 5% of the capital.

As at 31 December 2016 2017 the remaining part of the share capital is held by 157 legal entities /31 801 455 shares / and 1 530 individuals /17 518 066 shares /, each of whom holding less than 5% of the capital.

According to the ASPIC provisions, the Company is not entitled to hold own shares.

13. COSTS FOR HIRED SERVICES

	Period ending on 30.06.2017	Period ending on 30.06.2016
Costs for consultancy services (see Note 13A)	1,608	1,423
Costs for commissions	331	150
Annual fees	13	10
Advertising	11	11
Subsequent costs for management of the real estate	28	23
Professional insurance	25	25
Other costs and charges	14	11
Total	<u>2,030</u>	<u>1,653</u>

13A. COSTS FOR CONSULTANCY SERVICES

	Period ending on 30.06.2017	Period ending on 30.06.2016
Remuneration for the servicing company (Notes 14 and 16)	1,577	1,395
Costs for appraisals	15	15
Other consultancy services	16	13
Total	<u>1,608</u>	<u>1,423</u>

14. SERVICE CONTRACT

The Company has a service contract with Karoll Finance EOOD, which holds a share of the authorized capital of the Company amounting to 17.65%. According to the above contract Karoll Finance EOOD provides consultancy and administrative services and human resources services against an annual fee which is calculated as follows:

1. 0.375% of the value of the investment property of the Company according to acquisition price, payable for each quarter;
2. 10% of the receivables of the Company from rent and leasing, calculated at the end of each quarter;
3. 10% of the difference between the sales price and the acquisition price when realizing a sale, provided that an internal rate of return (IRR) amounting to a minimum of 15%, calculated on an annual basis, is reached for the transaction.
4. 2.5% on the difference between the lease price/sales price under the financial lease agreement/deferred payment agreement and the acquisition price of the relevant property;
5. Annual management and administration fee for each financial lease agreement to the amount of 0.6 on the fee under Item 4 for every year of the term of the financial lease agreement/deferred payment agreement.

The total charge under the service contract amounts to BGN 1,577 thousand and BGN 1,395 thousand as of 30 June 2017 and 30 June 2016, respectively (Note 16).

15. REMUNERATION OF THE BOARD OF DIRECTORS AND MANAGEMENT

From the start of the reporting period until the end of June 2017 the Company paid remuneration amounting to BGN 34 thousand to the directors and management of the Company, which has not changed since the respective period of 2016.

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

16. TRANSACTIONS WITH RELATED PARTIES

For the period 01.01.2017 – 30.06.2017

	Liability at the start of the period	Charged during the period	Paid during the period	Liability at the end of the period
Consultancy services				
Karoll Finance EOOD (service company under ASIPC)	861	1,577	(1,715)	723
	Receivable at the start of the period	Charged during the period	Received during the period	Receivable at the end of the period
Leases				
Agro Terra North AD (company under common control)	657	276	-	933
Remuss OOD (company under common control)	347	149	-	496

For the period 01.01.2016– 30.06.2016

	Liability at the start of the period	Charged during the period	Paid during the period	Liability at the end of the period
Consultancy services				
Karoll Finance EOOD (service company under ASIPC)	1,286	1,395	1,970	711
	Receivable at the start of the period	Charged during the period	Received during the period	Receivable at the end of the period
Leases				
Agro Terra North AD (company under common control)	131	261	-	392
Remuss OOD (company under common control)	288	136	-	424

17. INCOME PER SHARE

	The period ended 30.06.2017	The period ended 30.06.2016
Net profit (BGN thousands)	3,824	3,002
Daily average weighted number of share	85,110,091	85,110,091
Income per share (BGN)	0.05	0.04

The average weighted number of shares is calculated as a sum of the number of ordinary shares in circulation at the start of the period and the number of ordinary shares in circulation issued during the period, with each number of shares multiplied in advance by an average time factor.

18. DIVIDEND PER SHARE

As per ASIPC, Article 10, the Company is obliged to allocate as dividend no less than 90% of the financial result, converted following the procedure outlined in Article 10, Paragraph 3 of the same Act.

According to a resolution passed on the regular annual General Assembly of Shareholders held on the 30th of May 2017, the Company calculated a dividend for 2016 to the amount of BGN 14,469 thousand (BGN 0.17 per share).

The amount of the dividend for 2016 was determined as follows:

	Year ending on 31.12.2016
Book profit, as per the statement of comprehensive income	10,159
<i>Correction for:</i>	
Revenues from subsequent valuation of property, net (article 10, paragraph 3, item 1 of ASIPC)	(2,548)
Profit from transactions with transfers of title on property (article 10, paragraph 3, item 2 of ASIPC)	(5,597)
Loss from transactions with transfers of title on property (article 10, paragraph 3, item 2 of ASIPC)	18
Difference between sales price and historic value of property (article 10, paragraph 3, item 3 of ASIPC)	12,985
Profit from sales reported in the year of signing financial lease agreements (article 10, paragraph 3, item 4 of ASIPC)	(470)
<i>Adjusted financial result for the period</i>	14,547
Dividend to be allocated as per resolution of OSA-99.46% of the adjusted financial result	14,469
Dividend liability as at 31.12.2016 – 90% of the adjusted financial result	(13,092)
Dividend liability to be further accrued in 2017	1,377

18. DIVIDEND PER SHARE (CONTINUED)

In 2017 and 2016 the fluctuation in the obligation for dividend is as follows:

	Period ending on 30.06.2017	Year ending on 31.12.2016
Balance at the start of the year	13,244	7,970
Allocated dividend for the current year	-	13,092
Further accrued allocated dividend for 2015	-	685
Further accrued allocated dividend for 2016	1,377	
Paid dividend, net after taxation	(14,249)	(8,381)
Paid tax at dividend payment	(192)	(119)
Dividends with expired limitation period	-	(3)
Balance at the end of the period	<u>180</u>	<u>13,244</u>

As at 30 June 2017, the Company reported obligation on unpaid dividends for the period from 2011 until 2016, to the total amount of BGN 180 thousand.

As at 31 December 2016, the Company reported obligation on unpaid dividends for the period from 2011 until 2015, to the total amount of BGN 152 thousand.

19. FINANCIAL RISK MANAGEMENT

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

Credit risk

The Company applies credit policies in order to attract clients with credit reputation appropriate for management of investment property, credit history and financial means. The Company is not exposed to a considerable credit risk.

The maximum exposure to credit risk as per classes of financial assets for the Company is as follows:

	Period ending on 30.06.2017	Period ending on 31.12.2016
Financial lease receivables (Note 6)	2,562	2,954
Commercial receivables, net of depreciation (Note 7)	3,681	11,417
Receivables on granted advances, net of depreciation (Note 8)	274	564
Cash and cash equivalents (Note 9)	20,405	21,516
	<u>26,922</u>	<u>36,451</u>

As at 30 June 2017 and 31 December 2016 the fair value of financial assets is approximately equivalent to their carrying amount.

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

The analysis of the credit quality of financial assets is as follows:

	As at 30.06.2017	As at 31.12.2016
Commercial receivables, gross		
Receivables from property sales	-	9,133
Receivables from rent	2,639	922
Receivables from financial lease clients	2,562	2,954
Total neither overdue, nor depreciated	5,201	13,009
Overdue but not depreciated receivables		
- overdue up to 30 days	-	-
- overdue between 30 – 90 days	-	-
- overdue between 90 – 180 days	-	1,362
- overdue between 180 – 360 days	1,042	-
Total overdue but not depreciated receivables	1,042	1,362
Individually depreciated receivables, gross		
- Overdue for over 1 year	280	281
- overdue between 2 and 5 years	1,232	2,235
Total individually depreciated receivables	1,512	2,516
<i>Minus provision for depreciation of receivables</i>	<i>(1,249)</i>	<i>(1,952)</i>
Total receivables after depreciation loss	6,506	14,935

Cash and cash equivalents which are neither overdue not secured are as follows:

Rating*	As at 30.06.2017	As at 31.12.2016
BBB+	20,276	4,364
F2	-	17,020
	20,276	21,384

* Rating is drafted by Fitch Ratings

Liquidity risk

The Company monitors its cash flows, the maturity of its debts and its liquidity in order to assess its exposure to liquidity risks. The Company maintains sufficient cash available in order to fund its activity and mitigate the fluctuations of the cash flows. The Company ensures the required means for its activities through public offering of securities and through numerous credit possibilities from financial institutions, securing its loans through its own investment property.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

On the 30th of June the maturity structure of financial assets and liabilities of the Company based on the agreed non-discounted cash flows is presented below.

As of 30 June 2017

FINANCIAL ASSETS	Under 1 month	1-3 months	3 months-1 year	From 1 to 5 years	Total
Cash and cash equivalents	20,405	-	-	-	20,405
Financial Lease receivables, gross	21	205	475	2,127	2,828
Receivables from rent, net from depreciation	1,042	2,639	-	-	3,681
Advances to suppliers, net from depreciation	264	-	-	-	264
Total financial assets	21,732	2,844	475	2,127	27,178

FINANCIAL LIABILITIES	Under 1 month	1-3 months	3 months-1 year	From 1 to 5 years	Total
Liabilities to suppliers and brokers	51	-	-	-	51
Liabilities to related companies	584	18	121	-	723
Dividend liability	180	-	-	-	180
Total financial liabilities	815	18	121	-	954

As of 31 December 2016

FINANCIAL ASSETS	Under 1 month	1-3 months	3 months-1 year	From 1 to 5 years	Total
Cash and cash equivalents	21,516	-	-	-	21,516
Financial lease receivables, gross	-	66	1,009	2,221	3,296
Receivables from rent, net of depreciation	1,362	-	922	-	2,284
Receivables from sales of property	9,133	-	-	-	9,133
Advances to suppliers	-	-	564	-	564
Total financial assets	32,011	66	2,495	2,221	36,793

FINANCIAL LIABILITIES	Under 1 month	1-3 months	3 months-1 year	From 1 to 5 years	Total
Liabilities to suppliers and brokers	75	-	-	-	75
Liabilities to related companies	801	-	60	-	861
Dividend liability	152	-	13,092	-	13,244
Total financial liabilities	1,028	-	13,152	-	14,180

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30th of JUNE 2017

All amounts are given in BGN thousand unless indicated otherwise

19. FINANCIAL RISK MANAGEMENT (CONTINUED)*Interest risk*

The value of the assets of the Company depends on the dynamics of the market interest rates. The Company is exposed to risks from fluctuations of the interest rates because the profitability of the interest-bearing assets changes as a result of the changes in the market interest rates. Regarding floating interest rates the Company is exposed to risks depending on the interest rate index to which the respective financial instrument is pegged.

As of 30 June 2017	Interest-bearing				Non-interest bearing	Total
	Under 1 month	1-3 months	3 months -1 year	1-5 years		
Assets						
Financial lease receivables	18	171	400	1,973	-	2,562
Rent receivables	-	-	-	-	3,681	3,681
Cash on hand	-	-	-	-	129	129
Cash in banks	-	-	-	-	20,276	20,276
Total assets	18	171	400	1,973	24,086	26,648

	Interest-bearing				Non-interest bearing	Total
	Under 1 month	1-3 months	3 months -1 year	1-5 years		
Liabilities						
Liabilities to suppliers and brokers	-	-	-	-	51	51
Liabilities to related parties	-	-	-	-	723	723
Dividend liability	-	-	-	-	180	180
Total liabilities	-	-	-	-	954	954

As of 31 December 2016	Interest-bearing				Non-interest bearing	Total
	Under 1 month	1-3 months	3 months -1 year	1-5 years		
Assets						
Financial lease receivables	-	-	942	2,012	-	2,954
Rent and sales receivables	-	-	-	-	11,417	11,417
Cash on hand	-	-	-	-	132	132
Cash in banks	17,020	-	-	-	4,364	21,384
Total assets	17,020	-	942	2,012	15,913	35,887

	Interest-bearing				Non-interest bearing	Total
	Under 1 month	1-3 months	3 months -1 year	1-5 years		
Liabilities						
Liabilities to suppliers and brokers	-	-	-	-	75	75
Liabilities to related parties	-	-	-	-	861	861
Dividend liability	-	-	-	-	13,244	13,244
Total liabilities	-	-	-	-	14,180	14,180

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency risk

The Company is exposed to currency risks when carrying out transactions with financial instruments denominated in foreign currencies. The transactions denominated in foreign currencies generate profit and loss from exchange rate variations. As of 30 June 2017 and as at 31 December 2016 the financial assets and investments are denominated in BGN and EUR and under the conditions of an established currency board in the country, the exchange rate of the BGN to the EUR is fixed and does not create currency risks. As of these dates the Company has no exposure to currencies different from BGN and EUR.

Market risk

The market risk is a systematic risk, which influences the value of all assets. It arises from the characteristics of the macroeconomic environment and the status of the capital market in the country. The market risk is beyond the control of the Company and as a whole cannot be diversified. The main method for reduction of the market risk and its components is collection and processing of information about the macroeconomic environment and on this basis – making projections and adjustments of the investment policy to the expected changes in the environment.

The Company invests a minimum of 90% of its portfolio in land designated for agricultural needs and up to 10% in land in urbanized territories. The agricultural land is exposed to low risk from changes in prices and rents. The potential reduction of the prices of agricultural land is favourable for the investment policy of the Company. The increased risk in the sector affects mainly real estate designated for building construction and is a result of the global financial crisis. The current situation cannot pose a serious negative effect on the financial state and the results from the activities of the Company; nevertheless the Company has undertaken measures for reduction of the share of land in urbanized areas with the purpose of restriction of the price risk.

Advance Terrafund REIT continues to follow its policy for investments in high quality property meeting the needs for development of modern agriculture and renting or leasing out to first-class tenant/lessees/ at conditions favourable for the Company.

Structure of the investment portfolio:

	30 June 2017		31 December 2016	
	Fair price	% of the net assets, valued at market price	Fair price	% of the net assets, valued at market price
Agricultural land	181,507	92.07	181,638	92.08
Property in urbanized territories	12,430	6.31	12,430	6.30
Property in regulation	3,202	1.62	3,203	1.62
Total	197,139	100.00	197,271	100.00

19. FINANCIAL RISK MANAGEMENT (CONTINUED)*Capital risk*

The Company manages its capital aiming to maximize returns for shareholders through optimization of the capital structure. The strategy of the Company remains without change since the end of 2016. The capital structure comprises of cash and cash equivalents and equity (see respectively notes 9 and 12).

	<u>As at 30.06.2017</u>	<u>As at 31.12.2016</u>
Total liabilities	9,238	22,845
Decreased by: Cash and cash equivalents	(20,405)	(21,516)
Net debt	(11,167)	1,329
Total equity	220,263	217,816
Total capital	231,430	216,487
Debt ration	0.04	0.10

20. EVENTS AFTER THE END OF THE REPORTING PERIOD

There are no events after the reporting date and by the approval date, which would lead to additional adjustments and announcements in the financial statements for the period ending on the 30th of June 2017.