

“AGRO FINANCE ” REIT

FINANCIAL STATEMENTS

**FOR THE SIX MONTH PERIOD
ENDED 30 JUNE 2008**

**PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING
STANDARDS**


AGRO FINANCE REIT

BALANCE SHEET for the six month period ended 30 June 2008


ASSETS	Notes	30.06.2008	31.12.2007
		BGN '000	BGN '000
Investment properties		24 161	19 079
Tangible fixed assets	2	60	25
Intangible fixed assets	3	9	9
Receivables from counterparties and other receivables	4	1 104	293
Cash and cash equivalents	1	20 495	2 279
Other current assets	5	6	2
TOTAL ASSETS		45 835	21 687
LIABILITIES			
Long-term liabilities – bond issue		4 890	-
Current liabilities	6	20 267	498
Other current liabilities		2	-
TOTAL LIABILITIES		25 159	498
EQUITY			
	7		
Share capital		16 138	16 138
Capital Reserves		1 549	1 549
Retained earnings		3 502	129
Current Profit (Loss)		(513)	3 373
TOTAL EQUITY		20 676	21 189
TOTAL EQUITY AND LIABILITIES		45 835	21 687



 Dessislava Yordanova
 Executive Director



 Eleonora Stoeva
 Chief Accountant



July 28, 2008

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


AGRO FINANCE REIT

INCOME STATEMENT for the six month period ended 30 June 2008

	<u>30.06.2008</u>	<u>30.06.2007</u>
	BGN ' 000	BGN '000
Income from investment properties	228	-
Income from revaluation of investment properties	-	-
Financial income	50	79
TOTAL INCOME	278	79
Administrative expenses	116	55
Operating expenses	674	457
Financial expenses	1	68
TOTAL EXPENSES	791	580
Net profit (loss) for the period	(513)	(501)



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AGRO FINANCE REIT

CASH FLOW STATEMENT for the six month period ended 30 June 2008

	30.06.2008	31.12.2007
	BGN ' 000	BGN '000
CASH FLOW FROM OPERATING ACTIVITIES		
Cash receipts from counterparties	-	42
Cash receipts from interests and other such	6	-
Other cash receipts	-	5
Cash payments to counterparties	(371)	(753)
Cash payments related to employees	(44)	(50)
Paid interests and other	(1)	(1)
NET CASH FLOW FROM OPERATING ACTIVITIES	(410)	(757)
CASH FLOWS FROM INVESTING ACTIVITIES		
Other cash receipts	42	27
Purchase of investment properties	(5 624)	(13 040)
Other payments	(22)	(21)
NET CASH FLOW FROM INVESTING ACTIVITIES	(5 604)	(13 034)
CASH FLOW FROM FINANCING ACTIVITIES		
Cash receipts related to share capital	19 298	17 037
Cash receipts related to received loans	4 890	1 933
Cash receipts from interests and other	42	271
Payments related to received loans	-	(3 133)
Paid interests and other	-	(70)
NET CASH FLOW FROM FINANCING ACTIVITIES	24 230	16 038
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	18 216	2 247
Cash and cash equivalents at the beginning of the period	2 279	32
Cash and cash equivalents at the end of the period	20 495	2 279


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AGRO FINANCE REIT

STATEMENT OF CHANGES IN EQUITY for the six month period ended 30 June 2008

	Share capital	Capital Reserves	Retained Earnings	Total
	BGN ' 000	BGN ' 000	BGN ' 000	BGN ' 000
Balance at January 1, 2007	650	-	129	779
Issue of share capital	15 488	1 549	-	17 037
Net profit (loss) for the period	-	-	3 373	3 373
Balance at December 31, 2007	<u>16 138</u>	<u>1 549</u>	<u>3 502</u>	<u>21 189</u>
Issue of share capital	-	-	-	-
Net profit (loss) for the period	-	-	(513)	(513)
Balance at June 30, 2008	<u>16 138</u>	<u>1 549</u>	<u>2 989</u>	<u>20 676</u>


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July 28, 2008

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NOTES TO THE FINANCIAL STATEMENT AS OF 30 June, 2008

I. Information about the Company

1. Court registration

Agro Finance REIT (the Company) is entered in the commercial register of the Sofia City Court by resolution № 1 from 23.02.2006 under company case-file № 2125/2006, batch № 101897, volume 1365, page 50 as a special investment purpose joint-stock company with seat and registered office in city of Sofia at 5, Dunav Str., Oborishte Region.

The subject of activity is investment of cash, raised through the issue of securities in real estate /real estate securitization/ by means of purchase of title and other real rights over properties, completion of constructions and improvements therein, with the purpose of their provision for administration, granting on hire, leasing, rent and/or their sale. The Company may not carry out any trade transactions, other than those indicated in the preceding sentence and such related to their performance, unless allowed under the Special Purpose Vehicle Act (SPVA).

Upon the Company's incorporation, according Art.5, para 3 from the Public Offering of Securities Act (POSA), a decision was taken for initial increase of the capital with the same class of shares as those subscribed at the constituent assembly, since the time when the Company will be granted a license. On 19 July, 2006 the Financial Supervision Commission approved the prospectus for public offering of 150 000 ordinary, registered, dematerialized, negotiable voting shares, with a par value of BGN 1 each, as a result of initial increase in the capital of the Company. The above mentioned issue of shares issued by Agro Finance REIT was entered in the register of public companies and other issuers of securities according Art. 30, par 1, item 3 of the Financial Supervision Commission Act. As a result of the successfully completed subscription, on 27.09.2006 and increase of the capital from BGN 500 000 to BGN 650 000 was entered in the commercial register, as evident from court decision №3/27.09.2006 of the SCC on company case № 2125/year 2006.

With Decision № 4 from 09.05.2007 of the Sofia City Court an increase in the Company's capital was registered from BGN 650 000 to BGN 16 137 954 through the issue of 15 487 954 ordinary, dematerialized voting shares with par value of BGN 1 each.

With Decision №5 from 08.08.2007 deleted from the Board of Directors were IRC Bulstrad PLC, ZAD Bulstrad Life AD, CSIF AD and Persimon EOOD. Entered as members of the Board of Directors were Dessislava Yordanova and Sava Savov. At 31.12.2007 the Company was managed by the Board of Directors with members: Dessislava Ivanova Yordanova – Chairman of the Board of Directors, Sava Vassilev Savov – Deputy Chairman of the Board of Directors and Ognyan Jordanov Kalev.

As of May 23, 2008 the Executive Director of Agro Finance REIT is Mrs. Dessislava Yordanova.

The Annual General Meeting of the Shareholders of Agro Finance REIT was held on June 30, 2008. According to the previously announced agenda the Annual General Meeting of the Shareholders took the following decisions:

1. Accepted the Annual Management Report for year 2007
2. Accepted the Investor Relations Director's Report for year 2007
3. Accepted the Auditor's Report on the Company's Financial Statements for 2007
4. Approved the Company's Annual Financial Statements for year 2007
5. Relieved of responsibility the members of the Board of Directors for their activity for year 2007
6. Appointed specialized audit company AGEIN – TAKT OOD for an auditor of the Company for 2008
7. Accepted the amendments in the Company statutes
8. Relieved all the members of the Board of Directors
9. Appointed new members of the Board of Directors as follows: Mrs. Dessislava Ivanova Yordanova, Mrs. Valentina Nikolova Tzoneva, Mr. Sava Vasilev Savov.
10. Determined the remuneration of the members of the Board of Directors as well as a guarantee for their management of the affairs of the Company.
11. General Meeting of the Shareholders accepted the suggestion of the Board of Directors for a delegation of an authority to a person to conclude the contracts for assigning the management to the non-executive members of the Board of Directors.

On July 22, 2008 the Commercial Register entered the capital increase of Agro Finance REIT from BGN 16 137 954 to BGN 32 219 708 through the issue of 16 081 754 new ordinary dematerialized voting shares, with an issue value of BGN 1.20 and par value of BGN 1.

The Company is represented by the Executive Director Dessislava Yordanova.

The Company is established for a period of 7 years.

The address for correspondence of the Company is 71, Vladaiska Str., fl.1, city of Sofia.

2. License for activity realization

The Financial Supervision Commission has issued license № 28-DSIC from 24 July, 2006 to the Company to perform the following transactions under Art. 4, para 1, item 1 and 2 of the SPV as a special purpose vehicle: investment of cash raised through the issue of securities in real estate (real estate securitization).

3. Special statutory acts regulating the operating activity.

The operation of the Company is realized in compliance with the Special Purpose Vehicles Act (SPVA), Commercial Law (CL), Public Offering of Securities Act (POSA), the instruments of its application and all other legal requirements.

4. Main Agreements

The Company concluded the following main agreements:

- on 01 April, 2006 with a servicing company within the meaning of Art. 18, para 2 of the LSPV: T B I CONSULTING EOOD - Sofia. The contract is signed for indefinite period of time;
- on 18 April, 2006 with a depository bank within the meaning of Art. 9 of LSPV: UNITED BULGARIAN BANK AD;
- on 05 April, 2006 with a company – valuator of the acquired properties, in relation to Art. 19 of the LSPV: BRITE CONSULT OOD;
- on 18 April, 2006 with an investment intermediary servicing the initial increase of the Company's capital: T B I INVEST EAD;
- 26.10. 2007 with a second servicing company - PROFINET EOOD.

The Company has no right to carry out directly the activities concerning the use and maintenance of the acquired real estates, due to which it has entrusted these activities to the servicing companies T B I CONSULTING EOOD and PROFINET EOOD.

II. Information on the servicing companies

T B I CONSULTING EOOD is entered in the commercial register of the Sofia City Court under company case-file № 2175/2004 as a single member limited liability company with seat and registered office at № 5, Dunav Str., Sofia.

T B I CONSULTING EOOD is represented and managed by the managers Marussia Toneva Russeva and Ralitsa Jovkova Peeva, jointly and severally.

PROFINET EOOD is entered in the commercial register of the Sofia City Court under company case-file № 12082/2006 as a single limited liability company with seat and registered office at №16, r.d. Manastirski Livadi, fl.1, ap.3., Slatina Region, city of Sofia. PROFINET EOOD is represented and managed by the managers Petar Ivanov Hristov and Konstantin Jonkov Gemov, jointly and severally.

T B I CONSULTING EOOD and PROFINET EOOD have been entrusted to perform the servicing and maintenance of the acquired properties, the completion of constructions and improvements, the keeping and storage of the accounting and other reporting and correspondence, preparation of the annual financial statement and securing its certification as well as the preparation of half-yearly, quarterly and monthly accounts, respectively their publication, respectively their submission at the FSC, and the completion of other required activities. The performance of these activities is realized in compliance with the law and the articles of association of the special purpose vehicle.

III. Fundamental Accounting Principals

Basis for presentation

The financial statements have been prepared in accordance with the Bulgarian Accounting Act, Public Offering of Securities Act, Special Purpose Vehicles Act and the International Financial Reporting Standards (IFRS).

The main accounting principles are observed:

- a) accrual basis of accounting – the revenues and expenses on the transactions and events are reported when they are earned or incurred, regardless of the time of receiving or payment of the cash or its equivalent;
- b) going concern principle
- c) prudent principle – obligatory assessment and accounting for presumable risks and expected losses;
- d) matching of revenues and expenses – recognition of the expenses made in relation to an individual transaction or event in the financial result for the period in which the company reports the effect from them. The recognition of the revenues is reflected for the period in which the expenses for their receiving are reported;
- e) priority of content over the form – the transactions and events are reported in accordance with their economic content, essence and financial reality irrespective of their relevant legal form;

Reporting unit

The financial statements are presented in Bulgarian currency “leva” (BGN).

Investment Property (IFRS 40)

The investment properties of the Company are agricultural lands used for long-term receiving of revenues from rent / lease charge and are not used for administrative or manufacturing needs.

The initial valuation of the acquired investment properties includes the acquisition cost, as well as all expenses related to the purchase in accordance with IFRS 40 – Investment property. The Company applies the model of fair value. The alteration in the fair value of the investment properties is recorded in the profit (loss) for the period in which it appears.

As of 30 June, 2008 the Company reported investment properties at the amount of BGN 24 161 452, or 52,71 % of the assets value. The acquired properties are agricultural lands allocated in different regions of the country.

Property, Plant and Equipment (IFRS 16)

The properties, plant and equipment include computers and software, motor vehicles and office furniture and equipment. They are reported at acquisition cost, less the accrued depreciation. The acquisition cost includes the purchase price and all direct expenses required to bring the asset into operating condition. The Company applies the linear method of depreciation according the useful life of the assets determined by the management which also coincides with that for tax purposes. The annual percentages of depreciation which are used are:

Computers and software	50%
Vehicles	25%
Office furniture and equipment	15%

Intangible Assets (IFRS 38)

The initial valuation of intangible assets was at acquisition cost. The linear method was applied in their depreciation.

Receivables and liabilities

The receivables are reported at initial value, less the amount of the uncollected sum. An estimate is made of suspicious and uncollectible receivables where there is high uncertainty for the collectability of the whole amount. The uncollectible receivables are written off in whole where such circumstance is established. The liabilities are reported at the expected agreed value.

As of 30 June, 2008 the Company has long-term liabilities for issued corporate bonds with a nominal value EUR 2 500 000 (BGN 4 889 575) and the following characteristics:

Type of the bonds: ordinary, registered and book - entry securities, interest-bearing, freely transferable, unsecured

Number of bonds: 2 500 (two thousand five hundred)

Par value of one bond: EUR 1 000 (a thousand)

Term and maturity of the bonds: 36 months (thirty six months)

Interest – fixed coupon in the amount of 7.5 % annually, payable every 6 (six) months

Method and date of the principal payment - once, together with the payment of the last coupon, i.e. at the maturity of the bonds

Date of the contract for issuing corporate bonds: 25 March, 2008

1. Cash and Cash Equivalents

The cash as of 30 June 2008 was allocated as follows:

Content and allocation:	30.06.2008	31.12.2007
	<i>(BGN)</i>	<i>(BGN)</i>
Cash in Hand	1 159	296
Cash in Bank	278 916	265 438
Bank deposits	900 000	2 000 000
Other cash equivalents	19 314 605	13 500
Total Cash and Cash Equivalents	20 494 680	2 279 234

2. Properties, plants and equipment

As of 30 June 2008 the long-term tangible assets amount to BGN 59 575.

	Vehicles	Other Tangible fixed assets	Total Tangible fixed assets
	<i>(BGN)</i>	<i>(BGN)</i>	<i>(BGN)</i>
Balance at 31.12.2007	24 580	17 125	41 705
Additions	35 926	8 067	43 993
Disposals		4 173	4 173
Balance at 30.06.2008	60 506	21 019	81 525

Accumulated depreciation			
Balance at 31.12.2007	10 754	5 646	16 400
Additions	5 318	4 405	9 723
Disposals		4 173	4 173
Balance at 30.06.2008	<u>16 072</u>	<u>5 878</u>	<u>21 950</u>
Net book value at 30.06.2008	44 434	15 141	59 575
Net book value at 31. 12. 2007	<u>13 826</u>	<u>11 479</u>	<u>25 305</u>

3. Intangible fixed assets

As of 30 June 2008 the intangible fixed assets amount to BGN 8 685.

	Software	Other Intangible fixed assets	Total Intangible fixed assets
	(BGN)	(BGN)	(BGN)
Balance at 31.12.2007	9 512	2 860	12 372
Additions	2 520	1 428	3 948
Disposals	-	-	-
Balance at 30.06.2008	12 032	4 288	16 320
Accumulated depreciation			
Balance at 31.12.2007	3 993	72	4 065
Additions	2 903	667	3 570
Disposals	-	-	-
Balance at 30.06.2008	6 896	739	7 635
Net book value at 30.06.2008	<u>5 136</u>	<u>3 549</u>	<u>8 685</u>
Net book value at 31. 12. 2007	<u>5 519</u>	<u>2 789</u>	<u>8 308</u>

4. Trade and other receivables

As of 30 June 2008 the receivables of the Company amount to BGN 1 104 254 and represent receivables under lease contracts for the business year 2007 – 2008 and provided advances under concluded intermediation contracts. Under other receivables are mainly receivables on guarantees.

Content and allocation:	30.06.2008	31.12.2007
	(BGN)	(BGN)
Receivables from counterparties	242 312	24 165
Pre-payments	855 694	262 673
Other receivables	6 248	5 928
Total	<u>1 104 254</u>	<u>292 766</u>

5. Other current assets

As of 30 June 2008 the Company reported other current assets amounting to BGN 6 481 (31.12.2007 BGN 1 765).

6. Current Liabilities

As current liabilities the Company reports these with term of settlement less than 12 months. The liabilities are evaluated at their nominal value.

At 30 June 2008 the current liabilities of the Company amounted at *BGN 20 267 344*, allocated as follows:

Content and allocation:	30.06.2007	31.12.2007
	<i>(BGN)</i>	<i>(BGN)</i>
Liabilities to the servicing companies	159 378	28 625
Liabilities to counterparties	777 718	447 133
Liabilities to employees	5 077	-
Tax liabilities	1 736	-
Social security liabilities	2 344	-
Other current liabilities	19 321 091	22 143
Total Current Liabilities	20 267 344	497 901

Other current liabilities include the amount of BGN 19 298 105 which is the issuing value of 16 081 754 new shares from the third capital increase of the Company. As of June 30, 2008 the amount is blocked on the special bank account at the name of Agro Finance REIT until the entry of the capital increase at the Commercial Register. On July 22, 2008 the Commercial Register entered the capital increase of Agro Finance REIT.

7. Equity

As of 30 June 2008 the authorized capital of the Company amount to *BGN 16 137 954* divided into 16 137 954 ordinary dematerialized shares with a par value of BGN 1 each.

On 31 December 2007 the authorized capital of the company was BGN 16 137 954.

Capital Reserves

As of 30 June 2008 the capital reserves amount to *BGN 1 548 795* formed from the difference between the nominal and issue value of the shares.

Current Profit (loss)

The financial result for the reporting period 01.01.2008 – 30.06.2008 is a loss at the amount of *BGN 513 069*. As of 30 June 2008 the Company did not make a revaluation of the acquired agricultural land and did not form a profit from the change in its fair value. For 2007 the Company reported net profit at the amount of BGN 3 373 206.

As of 30.06.2008 the equity structure was as follows:

Equity:	30.06.2008г.	31.12.2007г.
	(BGN)	(BGN)
Share Capital	16 137 954	16 137 954
Capital Reserves	1 548 795	1 548 795
Retained earnings	3 501 986	128 780
Current Profit (loss)	(513 069)	3 373 206
Total equity:	20 675 666	21 188 735

8. Incomes

The Company reports the following incomes:

- income from lease contracts
- income from revaluation of investment properties
- incomes from interest
- other

As of 30 June 2008 the Company reports income at the amount of *BGN 278 011* allocated as follows:

Income:	01.01.2008- 30.06.2008	01.01.2007- 30.06.2007
	(BGN)	(BGN)
Income from investment properties	228 349	-
Income from revaluation of investment properties	-	-
Interest Income	49 662	78 769
Other financial income	-	-
Total Income	278 011	78 769

9. Expenses

The expenses related to the operation of Agro Finance REIT as of 30 June 2008 amount to *BGN 791 080*, structured as follows:


Expenses:	01.01.2008- 30.06.2008	01.01.2007- 30.06.2007
	(BGN)	(BGN)
Administrative expenses	115 962	55 025
Office rent and overheads	17 697	11 375
Telecommunication expenses	1 511	-
Expenses for advertisement and publishing of materials	6 079	1 679
Professional and audit fees	16 755	20 189
Expenses for remunerations and social security contributions (labor and civil contracts)	9 808	2 037

Expenses for remuneration and social security contributions of the Board of Directors	36 379	10 962
Depreciation expenses	13 293	5 207
Other administrative expenses	14 441	3 576
Operating expenses	674 252	456 726
State fees	191	160
Expenses for the Financial Supervision Commission; the Bulgarian Stock Exchange and the Central Depository	12 485	12 706
Expenses for bank depository	400	600
Expenses for servicing companies	341 904	92 183
Remunerations to the Investment Intermediaries	313 929	314 789
Other operating expenses	5 343	36 288
Financial expenses	865	67 702
Interest expenses	-	66 954
Bank fees	865	748
Total expenses:	791 080	579 453

VI. Taxation

According to Art. 175 of the Corporate Income Tax Act, corporate tax is not levied on Special Purpose Vehicles. Therefore, Agro Finance REIT does not owe corporate tax on its profit from investment activity.


 Dessislava Yordanova
 Executive Director


 Eleonora Stoeva
 Chief Accountant

July 28, 2008
 Sofia, Bulgaria