

“AGRO FINANCE ” REIT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING
STANDARDS

TOGETHER WITH
THE REPORT OF REGISTERED AUDITOR
AGEIN – TAKT OOD



AUDITOR'S REPORT

TO THE SHAREHOLDERS
OF "AGRO FINANCE" REIT
SOFIA

Responsibilities of the Management and of the Auditors

We have audited the balance sheet of Agro Finance REIT as of 31 December, 2007 as well as the related income statement, cash flow statement and changes in equity statement for the year then ended. The responsibility for the preparation of the financial statement is bared by the Company's management. Our responsibility is to express an auditor's opinion based on our audit.

Basis of Opinion

Our audit was conducted in accordance with the professional requirements of the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of inaccuracies, deficiencies and inconsistencies. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the Financial Statement. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall Financial Statement presentation. We believe that our audit provides a reasonable basis for our opinion.

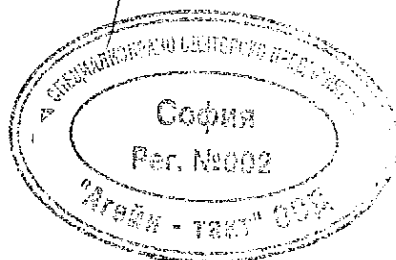
Auditor's Opinion

As a result of this we certify that the financial statement of Agro Finance REIT presents fairly, in all material respects, the property and financial position of the Company as of 31 December, 2007, and the results of its operations, changes in cash flows and in equity for the year then ended in accordance with the International Financial Reporting Standards.

February 25, 2008
Sofia, Bulgaria

Specialized Audit Company
AGEIN – TAKT OOD, reg. № 002

Stefana Stoitseva
Registered Auditor, Diploma № 0154



AGRO FINANCE REIT

BALANCE SHEET for the year ended 31 December, 2007

ASSETS	Notes	31.12.2007 BGN '000	31.12.2006 BGN '000
Investment properties			
Tangible fixed assets	2	19 079	2 087
Intangible fixed assets	3	25	24
Receivables from counterparties and other receivables	4	9	4
Cash and cash equivalents	1	293	98
Other current assets	5	2 279	33
		2	-
TOTAL ASSETS		21 687	2 246
LIABILITIES			
Current liabilities	6	498	1 467
TOTAL LIABILITIES		498	1 467
EQUITY			
Share capital	7		
Capital Reserves		16 138	650
Retained earnings		1 549	-
Current Profit (Loss)		129	-
		3 373	129
TOTAL EQUITY		21 189	779
TOTAL EQUITY AND LIABILITIES		21 687	2 246

These financial statements are signed on behalf of the Board of Directors on January 29, 2008

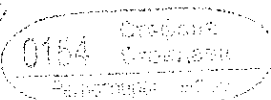
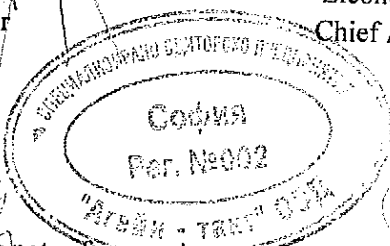
Ognyan Kalev
Executive Director

Eleonora Stoeva
Chief Accountant

Certified:

25.01.2008

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





AGRO FINANCE REIT

INCOME STATEMENT for the year ended December 31, 2007


	<u>2007</u>	<u>2006</u>
	BGN ' 000	BGN '000
Income from investment properties	30	-
Income from revaluation of investment properties	3 958	263
Financial income	271	4
TOTAL INCOME	4259	267
Administrative expenses	(192)	(82)
Operating expenses	(626)	(44)
Financial expenses	(68)	(12)
TOTAL EXPENSES	(886)	(138)
Net profit for the period	3 373	129

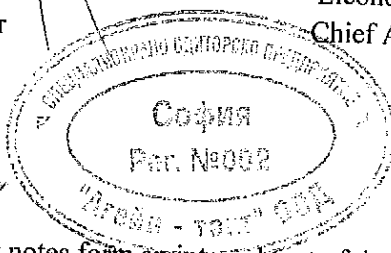
These financial statements are signed on behalf of the Board of Directors on January 29, 2008


 Ognyan Kalev
 Executive Director


 Eleonora Stoeva
 Chief Accountant

Certified:

25.02.2008 




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


AGRO FINANCE REIT

CASH FLOW STATEMENT for the year ended December 31, 2007

	<u>2007</u>	<u>2006</u>
	BGN ' 000	BGN '000
CASH FLOW FROM OPERATING ACTIVITIES		
Cash receipts from counterparties	42	-
Other cash receipts	5	15
Cash payments to counterparties	(753)	(82)
Cash payments related to employees	(50)	(37)
Paid interests and other	(1)	(1)
Other cash payments	-	(19)
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>(757)</u>	<u>(124)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Other cash receipts	27	
Purchase of investment properties	(13 040)	(1 682)
Other payments	(21)	-
NET CASH FLOW FROM INVESTING ACTIVITIES	<u>(13 034)</u>	<u>(1 682)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Cash receipts related to Share Capital	17 037	650
Cash receipts related to short-term credits	1 933	1 200
Cash receipts from interests and other such	271	3
Cash payments related to short-term credits	(3 133)	-
Paid interests and other	(70)	(15)
NET CASH FLOW FROM FINANCING ACTIVITIES	<u>16 038</u>	<u>1 838</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>2 247</u>	<u>32</u>
Cash and cash equivalents at the beginning of the period	32	-
Cash and cash equivalents at the end of the period	<u>2 279</u>	<u>32</u>

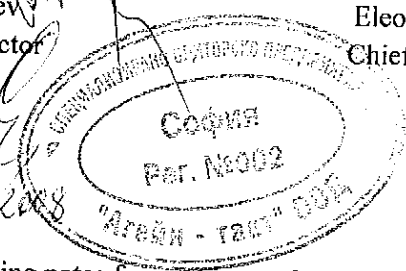
These financial statements are signed on behalf of the Board of Directors on January 29, 2008


 Ognyan Kalev
 Executive Director


 Eleonora Stoeva
 Chief Accountant

Certified:

25.01.2008



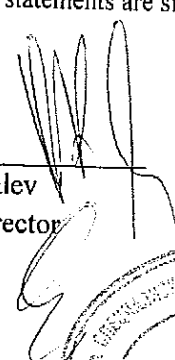
The accompanying notes form an integral part of these financial statements.

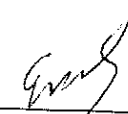
AGRO FINANCE REIT

STATEMENT OF CHANGES IN EQUITY for the year ended December 31, 2007

	Share capital BGN ' 000	Capital Reserves BGN ' 000	Retained Earnings BGN ' 000	Equity BGN ' 000
Balance at January 1, 2006	-	-	-	-
Issue of share capital	650	-	-	650
Net profit (loss) for the period	-	-	129	129
Balance at December 31, 2006	<u>650</u>	<u>-</u>	<u>129</u>	<u>779</u>
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>

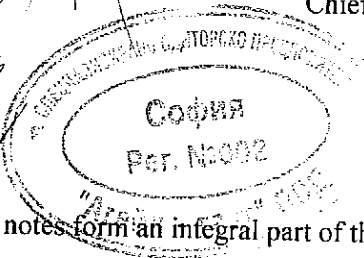
These financial statements are signed on behalf of the Board of Directors on January 29, 2008


Ognyan Kalev
Executive Director


Eleonora Stoeva
Chief Accountant

Certified:

25.02.2008



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

NOTES TO THE FINANCIAL STATEMENT AS OF 31 DECEMBER, 2007

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, lot № 101897, volume 1365, page 50 as a special investment purpose joint-stock company with seat and registered office in the city of Sofia, 5, Dunav Str., Oborishte Region.

The subject of activity is investing 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 Special Purpose Vehicle Act (SPVA).

Upon the Company's incorporation, according to 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 to 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 Jordanova and Sava Savov. At 31.12.2007 the Company was managed by the Board of Directors with members: Dessislava Ivanova Jordanova – Chairman of the Board of Directors, Sava Vassilev Savov – Deputy Chairman of the Board of Directors and Ognyan Jordanov Kalev.

The Company is represented by the Executive Director Ognyan Kalev.

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 SPVA 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 current 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 – taxes upon acquisition, the notary fees as well as other costs on the transaction.

As of 31 Dec., 2007 the Company reported investment properties at the amount of BGN 19 079 258, or 87,98 % of the assets value. The acquired properties are agricultural lands allocated in different regions of the country.

According the requirements of the SPVA, the possessed by the Company properties were valued at the end of the financial year. To reflect the depreciation in the financial statements the fair value method was applied.

The alteration in the fair value of the investment properties was recognized as revenue in the income statement.

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 to 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.

1. Cash and Cash Equivalents

The cash as of 31 December 2007 was allocated as follows:

Content and allocation:	<u>31.12.2007</u> <i>(BGN)</i>	<u>31.12.2006</u> <i>(BGN)</i>
Cash in Hand	296	159
Cash in Bank	265 438	32 291
Bank deposits	2 000 000	-
Other cash equivalents	13 500	-
Total Cash and Cash Equivalents	<u>2 279 234</u>	<u>32 450</u>

2. Properties, plants and equipment

As of 31 December 2007 the long-term tangible assets amount to BGN 25 305.

	Vehicles	Other Tangible fixed assets	Total Tangible fixed assets
	<i>(BGN '000)</i>	<i>(BGN '000)</i>	<i>(BGN '000)</i>
Balance at 01.01.2007	24	6	30
Additions		11	11
Disposals		-	-
Balance at 31.12.2007	24	17	41
Accumulated depreciation			
Balance at 01.01.2007	4	2	6
Additions	6	4	10
Disposals			
Balance at 31.12.2007	10	6	16
Net book value at 31.12.2007	14	11	25
Net book value at 31. 12. 2006	20	4	24

3. Intangible fixed assets

As of 31 December 2007 the intangible fixed assets amount to BGN 8 308.

	Software	Other Intangible fixed assets	Total Intangible fixed assets
	<i>(BGN '000)</i>	<i>(BGN '000)</i>	<i>(BGN '000)</i>
Balance at 01.01.2007	4		4
Additions	5	3	8
Disposals	-	-	-
Balance at 31.12.2007	9	3	12
Accumulated depreciation			
Balance at 01.01.2007	-	-	-
Additions	3	-	3
Disposals	-	-	-
Balance at 31.12.2007	3	-	3
Net book value at 31.12.2007	6	3	8
Net book value at 31. 12. 2006	4	-	4

4. Trade and other receivables

As of 31 December 2007 the receivables of the Company amount to BGN 292 766 and represent receivables under lease contracts for the business year 2007 – 2008 and provide advances under concluded intermediation contracts. Under other receivables are mainly included receivables on guarantees.

Content and allocation:	<u>31.12.2007</u> (BGN)	<u>31.12.2006</u> (BGN)
Receivables from counterparties	24 165	-
Pre-payments	262 673	93 177
Other receivables	5 928	5 080
Total	<u>292 766</u>	<u>98 257</u>

5. Other current assets

As of 31 December 2007 the Company reported other current assets amounting to BGN 1 765 (2006: BGN 307).

6. Current Liabilities

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

As of 31 December 2007 the current liabilities of the Company amount to BGN 497 901, allocated as follows:

Content and allocation:	<u>31.12.2007</u> (BGN)	<u>31.12.2006</u> (BGN)
Liabilities to the servicing companies	28 625	14 343
Liabilities to financial undertakings	-	1 200 000
Liabilities to counterparties	447 133	241 992
Other current liabilities	22 143	10 743
Total Current Liabilities	<u>497 901</u>	<u>1 467 078</u>

7. Equity

As of 31 December 2007 the share 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.

As of 31 December 2006 the share capital of the company was BGN 650 000.

Capital Reserves

As of 31 December 2007 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 net profit for the reporting year amounta to BGN 3 373 206 as a result of valuation made of the investment properties on 31.12.2007 in compliance with the requirements of the SPVA. For 2006 the Company reported net profit at the amount of BGN 128 780.

As of 31 December 2007 the equity structure was as follows:

Equity:	31.12.2007г.	31.12.2006г.
	(BGN)	(BGN)
Share Capital	16 137 954	650 000
Capital Reserves	1 548 795	
Current Profit (Loss)	3 501 986	128 780
Total equity:	21 188 735	778 780

8. Incomes

The Company reports the following incomes:

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

At 31 December 2007 the Company reports incomes at the amount totally of BGN 4 259 437 allocated as follows:

Income:	2007	2006
	(BGN)	(BGN)
Income from investment properties	29 936	-
Income from revaluation of investment properties	3 958 306	262 529
Interest Income	271 192	4 232
Other financial income	3	-
Total Income	4 259 437	266 761

9. Expenses

The expenses related to the operation of Agro Finance REIT as of 31 December 2007 amount to BGN 886 230, structured as follows:

Expenses:	2007	2006
	(BGN)	(BGN)
Administrative expenses	192 208	82 295
Office rent and overheads	22 955	9 457
Telecommunication expenses	1 076	-
Expenses for advertisement and publishing of materials	16 302	1 172
Professional and audit fees	25 891	2 313
Expenses for remunerations (natural persons)	44 227	27 437
Expenses for social security contributions	4 337	3 169
Expenses for remuneration of the Board of Directors (LE)	15 590	19 200
Depreciation expenses	13 242	7 223
Other administrative expenses	48 588	12 324
Operating expenses	625 588	43 937

State fees	580	1 373
Expenses for the Financial Supervision Commission	11 100	4 813
Expenses for Bulgarian Stock Exchange	600	100
Expenses for Central Depository	7 116	1 942
Expenses for bank depository	1 300	200
Expenses for servicing companies	285 103	27 509
Remunerations to the Investment Intermediaries	319 789	8 000
Financial expenses	68 434	11 749
Interest expenses	66 954	10 805
Bank fees	1 480	944
Total expenses:	886 230	137 981

VI. Taxation

In according with 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.

29 January, 2008
Sofia, Bulgaria

[Handwritten signature]
25.01.2008

