

“AGRO FINANCE ” REIT

FINANCIAL STATEMENTS

FOR THE THREE MONTH PERIOD
ENDED 31 MARCH 2008

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING
STANDARDS

AGRO FINANCE REIT

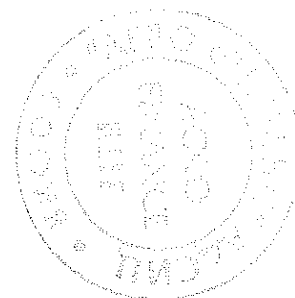
BALANCE SHEET for the three month period ended 31 March 2008

ASSETS	Notes	31.03.2008	31.12.2007
		BGN '000	BGN '000
Investment properties		20 839	19 079
Tangible fixed assets	2	29	25
Intangible fixed assets	3	11	9
Receivables from counterparties and other receivables	4	408	293
Cash and cash equivalents	1	5 026	2 279
Other current assets	5	7	2
TOTAL ASSETS		26 320	21 687
LIABILITIES			
Long-term liabilities – bond issue		4 890	-
Current liabilities	6	362	498
Other current liabilities		2	-
TOTAL LIABILITIES		5 254	498
EQUITY	7		
Share capital		16 138	16 138
Capital Reserves		1 549	1 549
Retained earnings		3 502	129
Current Profit (Loss)		(123)	3 373
TOTAL EQUITY		21 066	21 189
TOTAL EQUITY AND LIABILITIES		26 320	21 687

 Ognyan Kalev
 Executive Director

 Eleonora Stoeva
 Chief Accountant

April 11, 2008

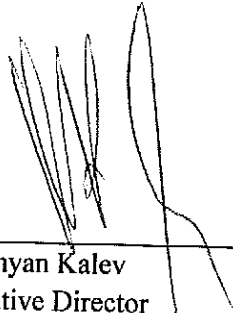


The accompanying notes form an integral part of these financial statements.


AGRO FINANCE REIT

INCOME STATEMENT for the three month period ended 31 March 2008

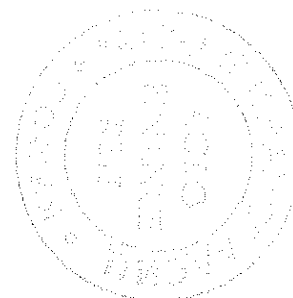
	<u>31.03.2008</u>	<u>31.03.2007</u>
	BGN ' 000	BGN '000
Income from investment properties	37	-
Income from revaluation of investment properties	-	-
Financial income	12	-
TOTAL INCOME	49	-
Administrative expenses	58	51
Operating expenses	114	20
Financial expenses	-	35
TOTAL EXPENSES	172	106
Net profit (loss) for the period	(123)	(106)



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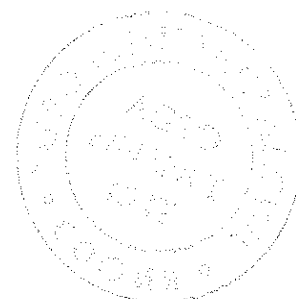
AGRO FINANCE REIT

CASH FLOW STATEMENT for the three month period ended 31 March 2008

	31.03.2008	31.12.2007
	BGN ' 000	BGN '000
CASH FLOW FROM OPERATING ACTIVITIES		
Cash receipts from counterparties	-	42
Cash receipts from interests and other such	3	-
Other cash receipts	-	5
Cash payments to counterparties	(149)	(753)
Cash payments related to employees	(13)	(50)
Paid interests and other	-	(1)
NET CASH FLOW FROM OPERATING ACTIVITIES	(159)	(757)
CASH FLOWS FROM INVESTING ACTIVITIES		
Other cash receipts	19	27
Purchase of investment properties	(2 007)	(13 040)
Other payments	(5)	(21)
NET CASH FLOW FROM INVESTING ACTIVITIES	(1 993)	(13 034)
CASH FLOW FROM FINANCING ACTIVITIES		
Cash receipts related to share capital	-	17 037
Cash receipts related to received loans	4 890	1 933
Cash receipts from interests and other	9	271
Payments related to received loans	-	(3 133)
Paid interests and other	-	(70)
NET CASH FLOW FROM FINANCING ACTIVITIES	4 899	16 038
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2 747	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	5 026	2 279

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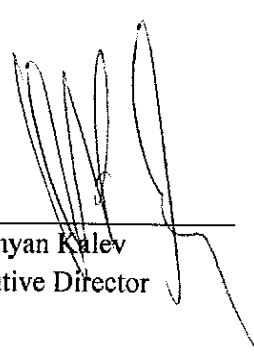
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AGRO FINANCE REIT

STATEMENT OF CHANGES IN EQUITY for the three month period ended 31 March 2008

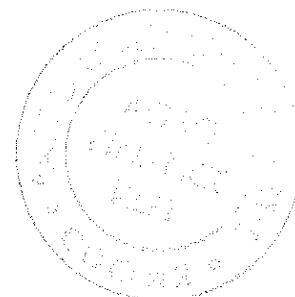
	Share capital	Capital Reserves	Retained Earnings	Total
	BGN ' 000	BGN ' 000	BGN ' 000	BGN ' 000
Balance at January 1, 2007	650	-	129	779
Issue of share capital	15 488	1 549	-	17 037
Net profit (loss) for the period	-	-	3 373	3 373
Balance at December 31, 2007	16 138	1 549	3 502	21 189
Issue of share capital	-	-	-	-
Net profit (loss) for the period	-	-	(123)	(123)
Balance at March 31, 2008	16 138	1 549	3 379	21 066



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 Eleonora Stoeva
 Chief Accountant



April 11, 2008

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NOTES TO THE FINANCIAL STATEMENT AS OF 31 MARCH, 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 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 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 31 March, 2008 the Company reported investment properties at the amount of BGN 20 838 719, or 79,18 % 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 31 March, 2008 the Company has a 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 31 March 2008 was allocated as follows:

Content and allocation:	31.03.2008	31.12.2007
	<i>(BGN)</i>	<i>(BGN)</i>
Cash in Hand	552	296
Cash in Bank	119 566	265 438
Bank deposits	-	2 000 000
Other cash equivalents	4 905 675	13 500
Total Cash and Cash Equivalents	5 025 793	2 279 234

2. Properties, plants and equipment

As of 31 March 2008 the long-term tangible assets amount to BGN 29 461.

	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	17 124	41 704
Additions		8 067	8 067
Disposals		3 501	3 501
Balance at 31.03.2008	24 580	21 690	46 270
Accumulated depreciation			
Balance at 31.12.2007	10 754	5 646	16 400
Additions	1 536	2 374	3 910
Disposals		3 501	3 501
Balance at 31.03.2008	12 290	4 519	16 809
Net book value at 31.03.2008	12 290	17 171	29 461
Net book value at 31. 12. 2007	13 826	11 479	25 305

3. Intangible fixed assets

As of 31 March 2008 the intangible fixed assets amount to BGN 10 523.

	Software	Other Intangible fixed assets	Total Intangible fixed assets
	<i>(BGN)</i>	<i>(BGN)</i>	<i>(BGN)</i>
Balance at 31.12.2007	9 512	2 860	12 372
Additions	2 520	1 428	3 948
Disposals	-	-	-
Balance at 31.03.2008	12 032	4 288	16 320
Accumulated depreciation			
Balance at 31.12.2007	3 993	72	4 065
Additions	1 399	333	1 732
Disposals	-	-	-
Balance at 31.03.2008	5 392	405	5 797
Net book value at 31.03.2008	6 640	3 883	10 523
Net book value at 31. 12. 2007	5 519	2 789	8 308

4. Trade and other receivables

As of 31 March 2008 the receivables of the Company amount to *BGN 408 434* 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:	<u>31.03.2008</u> <i>(BGN)</i>	<u>31.12.2007</u> <i>(BGN)</i>
Receivables from counterparties	58 282	24 165
Pre-payments	347 501	262 673
Other receivables	2 651	5 928
Total	<u><u>408 434</u></u>	<u><u>292 766</u></u>

5. Other current assets

As of 31 March 2008 the Company reported other current assets amounting to *BGN 6 561* (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 31 March 2008 the current liabilities of the Company amounted at *BGN 361 855*, allocated as follows:

Content and allocation:	<u>31.03.2007</u> <i>(BGN)</i>	<u>31.12.2007</u> <i>(BGN)</i>
Liabilities to the servicing companies	47 705	28 625
Liabilities to counterparties	279 687	447 133
Liabilities to employees	4 954	-
Tax liabilities	3 840	-
Social security liabilities	2 689	-
Other current liabilities	22 980	22 143
Total Current Liabilities	<u><u>361 855</u></u>	<u><u>497 901</u></u>

7. Equity

As of 31 March 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 31 March 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 – 31.03.2008 is a loss at the amount of *BGN 122 946*. As of 31 March 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 31.03.2008 the equity structure was as follows:

Equity:	31.03.2008г.	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)	(122 946)	3 373 206
Total equity:	21 065 789	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 31 March 2008 the Company reports income at the amount of *BGN 49 375* allocated as follows:

Income:	01.01.2008- 31.03.2008	01.01.2007- 31.03.2007
	(BGN)	(BGN)
Income from investment properties	37 442	-
Income from revaluation of investment properties	-	-
Interest Income	11 933	-
Other financial income	-	-
Total Income	49 375	-

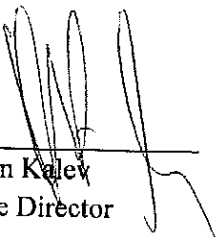
9. Expenses

The expenses related to the operation of Agro Finance REIT as of 31 March 2008 amount to *BGN 172 321*, structured as follows:


Expenses:	01.01.2008- 31.03.2008	01.01.2007- 31.03.2007
	<i>(BGN)</i>	<i>(BGN)</i>
Administrative expenses	57 963	50 563
Office rent and overheads	10 110	6 043
Telecommunication expenses	768	-
Professional and audit fees	8 024	6 929
Expenses for remunerations and social security contributions (labor contracts)	4 718	1 019
Expenses for remuneration of the Board of Directors	17 772	11 946
Depreciation expenses	5 643	2 600
Other administrative expenses	10 928	22 026
Operating expenses	114 076	19 899
State fees	60	70
Expenses for the Financial Supervision Commission; the Bulgarian Stock Exchange and the Central Depository	1 111	6 551
Expenses for bank depository	200	300
Expenses for servicing companies	112 705	12 948
Other operating expenses	-	30
Financial expenses	282	35 237
Interest expenses	-	34 914
Bank fees	282	323
Total expenses:	172 321	105 699

VI. Taxation

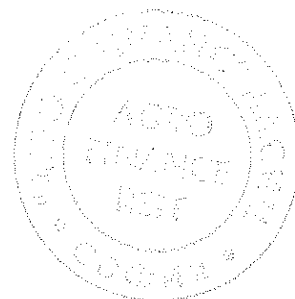
According to Art. 175 of the Corporate Income Tax Act, corporate tax is not levied on Special Purpose Vehicles. Therefore, Agro Finance REIT does not owe corporate tax on its profit from investment activity.



 Ognyan Kaley
 Executive Director



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 Chief Accountant



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