

“AGRO FINANCE ” REIT

FINANCIAL STATEMENTS

FOR THE YEAR  
ENDED 31 DECEMBER 2008

PREPARED IN ACCORDANCE WITH  
INTERNATIONAL FINANCIAL REPORTING  
STANDARDS

(unaudited)

AGRO FINANCE REIT

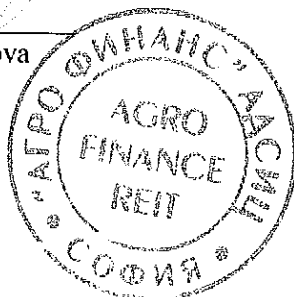
BALANCE SHEET as of December 31<sup>st</sup>, 2008

<b>ASSETS</b>	<b>Notes</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
		BGN '000	BGN '000
Investment properties		40 678	19 079
Tangible fixed assets	2	50	25
Intangible fixed assets	3	6	9
Receivables from counterparties and other receivables	4	1 034	293
Cash and cash equivalents	1	9 080	2 279
Other current assets	5	6	2
<b>TOTAL ASSETS</b>		<b>50 854</b>	<b>21 687</b>
<b>LIABILITIES</b>			
Long-term liabilities – bond issue		4 890	-
Current liabilities	6	767	498
Deferred revenues	7	447	-
<b>TOTAL LIABILITIES</b>		<b>6 104</b>	<b>498</b>
<b>EQUITY</b>			
	8		
Share capital		32 220	16 138
Capital Reserves		4 765	1 549
Retained earnings		3 502	129
Current Profit (Loss)		4 263	3 373
<b>TOTAL EQUITY</b>		<b>44 750</b>	<b>21 189</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>50 854</b>	<b>21 687</b>

\_\_\_\_\_  
Dessislava Yordanova  
Executive Director

\_\_\_\_\_  
Emiliya Vainnova  
Chief Accountant

January 20, 2009




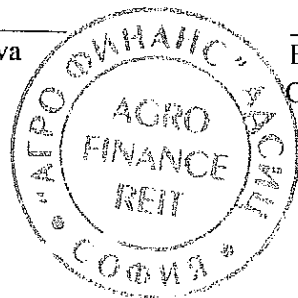
The accompanying notes form an integral part of these financial statements.


AGRO FINANCE REIT

INCOME STATEMENT for the period January 1<sup>st</sup>, 2008 till December 31<sup>st</sup>, 2008

	<u>31.12.2008</u>	<u>31.12.2007</u>
	BGN ' 000	BGN '000
Income from investment properties	617	30
Income from revaluation of investment properties	4 854	3 958
Financial income	576	271
<b>TOTAL INCOME</b>	<b>6 047</b>	<b>4 259</b>
Administrative expenses	255	192
Operating expenses	1 243	626
Financial expenses	286	68
<b>TOTAL EXPENSES</b>	<b>1 784</b>	<b>886</b>
<b>Net profit (loss) for the period</b>	<b>4 263</b>	<b>3 373</b>

  
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 Executive Director



  
 Emiliya Velinova  
 Chief Accountant

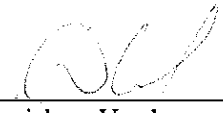
January 20, 2009

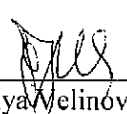
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AGRO FINANCE REIT

CASH FLOW STATEMENT for the period January 1<sup>st</sup>, 2008 till December 31<sup>st</sup>, 2008

	<u>31.12.2008</u>	<u>31.12.2007</u>
	BGN ' 000	BGN '000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Cash receipts from counterparties	4	42
Other cash receipts	7	5
Cash payments to counterparties	(1 307)	(753)
Cash payments related to employees	(88)	(50)
Paid interests and other	(2)	(1)
Other payments	(5)	
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<u><b>(1 391)</b></u>	<u><b>(757)</b></u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Other cash receipts	454	27
Purchase of investment properties	(16 727)	(13 040)
Other payments	(24)	(21)
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<u><b>(16 297)</b></u>	<u><b>(13 034)</b></u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
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	488	271
Payments related to received loans	-	(3 133)
Paid interests and other	(185)	(70)
Other payments	(2)	-
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<u><b>24 489</b></u>	<u><b>16 038</b></u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u><b>6 801</b></u>	<u><b>2 247</b></u>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>2 279</b>	<b>32</b>
<b>Cash and cash equivalents at the end of the period</b>	<u><b>9 080</b></u>	<u><b>2 279</b></u>

  
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January 20, 2009

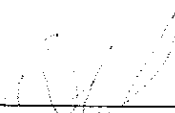



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AGRO FINANCE REIT

STATEMENT OF CHANGES IN EQUITY for the period January 1<sup>st</sup>, 2008 till December 31<sup>st</sup>, 2008

	Share capital	Capital Reserves	Retained Earnings	Total
	BGN ' 000	BGN ' 000	BGN ' 000	BGN ' 000
<b>Balance at January 1, 2007</b>	<b>650</b>	<b>-</b>	<b>129</b>	<b>779</b>
Issue of share capital	15 488	1 549	-	17 037
Net profit (loss) for the period	-	-	3 373	3 373
<b>Balance at December 31, 2007</b>	<b>16 138</b>	<b>1 549</b>	<b>3 502</b>	<b>21 189</b>
Issue of share capital	16 082	3 216	-	19 298
Net profit (loss) for the period	-	-	4 263	4 263
<b>Balance at December 31, 2008</b>	<b>32 220</b>	<b>4 765</b>	<b>7 765</b>	<b>44 750</b>

  
 Dessislava Yordanova  
 Executive Director

  
 Emiliya Velinova  
 Chief Accountant



January 20, 2009

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

## NOTES TO THE FINANCIAL STATEMENT AS OF December 31, 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 71, Vladaiska Str., fl. 1, Krasno selo 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.

On August 11, 2008 the Commercial Register entered the appointment of the new members of the Board of Directors as follows: Mrs. Dessislava Ivanova Yordanova, Mrs. Valentina Nikolova Tzoneva, Mr. Sava Vasilev Savov

On August 11, 2008 the Commercial Register entered the amendments in the Company statutes as follows: The seat and the registered office of the Company are in city of Sofia at 71, Vladaiska Str., fl. 1, Krasno selo Region.

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 April 1<sup>st</sup>, 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; With Decision No.: 1082-DSIC from 18.08.2008 the Financial Supervision Commission approved the replacement of TBI Consulting EOOD with Profinet EOOD as a servicing company of Agro Finance REIT. The contract with the servicing company TBI Consulting EOOD is terminated on 01.09.2008
- On April 18<sup>th</sup>, 2006 with a depository bank within the meaning of Art. 9 of LSPV: UNITED BULGARIAN BANK AD;
- On April 5<sup>th</sup>, 2006 with a company – valuator of the acquired properties, in relation to Art. 19 of the LSPV: BRIGHT CONSULT OOD;
- on April 18<sup>th</sup>, 2006 with an investment intermediary servicing the initial increase of the Company's capital: T B I INVEST EAD;
- On October 26<sup>th</sup>, 2007 with a second servicing company – AGRO FINANCE CONSULT EOOD (PROFINET EOOD).
- On March 25<sup>th</sup>, 2008 for issuing corporate bonds with total nominal value of EUR 2 500 000.
- Contract with Specialized Audit Company "AGAIN TAKT" OOD for independent financial audit for 2008.

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 company.

### **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.

The contract with the servicing company TBI Consulting EOOD is terminated on 01.09.2008

AGRO FINANCE CONSULT EOOD (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, 16 Manastirska str., fl.1, ap.3., Slatina Region, city of Sofia.

On December 9, 2008 the Commercial register entered change of the name and the address of the Servicing Company. The name has changed from "Profinet" Ltd. to



“Agro Finance Consult” Ltd. The address of the Servicing Company is: Sofia 1606, 71 Vladayska str.

AGRO FINANCE CONSULT EOOD is represented and managed by the managers Petar Ivanov Hristov and Konstantin Jonkov Gemov, jointly and severally.

The servicing company has 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 December 31<sup>st</sup>, 2008 the Company reported investment properties at the amount of BGN 40 677 893, or 79,99 % 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 December 31<sup>st</sup>, 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

First Interest payment:

Total amount of payment: EUR 94 262.30

Payment Date: 25.09.2008

### 1. Cash and Cash Equivalents

The cash as of December 31<sup>st</sup>, 2008 was allocated as follows:

<b>Content and allocation:</b>	<u><b>31.12.2008</b></u>	<u><b>31.12.2007</b></u>
	<i>(BGN)</i>	<i>(BGN)</i>
Cash in Hand	217	296
Cash in Bank	133 655	265 438
Bank deposits	8 922 884	2 000 000
Other cash equivalents	23 100	13 500
<b>Total Cash and Cash Equivalents</b>	<u><b>9 079 856</b></u>	<u><b>2 279 234</b></u>

### 2. Properties, plants and equipment

The long-term tangible assets as of December 31<sup>st</sup>, 2008 amount to BGN 49 881.

	<b>Vehicles</b>	<b>Other Tangible fixed assets</b>	<b>Total Tangible fixed assets</b>
	<i>(BGN)</i>	<i>(BGN)</i>	<i>(BGN)</i>
Balance at 31.12.2007	24 580	17 125	41 705
Additions	35 926	10 296	46 222
Disposals		5 959	5 959
Balance at 31.12.2008	60 506	21 461	81 967
<b>Accumulated depreciation</b>			
Balance at 31.12.2007	10 754	5 646	16 400
Additions	12 881	8 764	21 645
Disposals		5 959	5 959
Balance at 31.12.2008	23 635	8 451	32 086
<b>Net book value at 31.12.2008</b>	<u><b>36 871</b></u>	<u><b>13 010</b></u>	<u><b>49 881</b></u>
<b>Net book value at 31. 12. 2007</b>	<u><b>13 826</b></u>	<u><b>11 479</b></u>	<u><b>25 305</b></u>

### 3. Intangible fixed assets

The intangible fixed assets as of December 31<sup>st</sup>, 2008 amount to BGN 5 893.

	<b>Software</b>	<b>Other Intangible fixed assets</b>	<b>Total Intangible fixed assets</b>
	<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	4 232	-	4 232
Balance at 31.12.2008	7 800	4 288	12 088

<b>Accumulated depreciation</b>			
Balance at 31.12.2007	3 993	71	4 064
Additions	5 029	1 334	6 363
Disposals	4 232	-	4 232
Balance at 31.12.2008	<u>4 790</u>	<u>1 405</u>	<u>6 195</u>
<b>Net book value at 31.12.2008</b>	<b><u>3 010</u></b>	<b><u>2 883</u></b>	<b><u>5 893</u></b>
<b>Net book value at 31.12.2007</b>	<b><u>5 519</u></b>	<b><u>2 789</u></b>	<b><u>8 308</u></b>

#### 4. Trade and other receivables

As of December 31<sup>st</sup>, 2008 the receivables of the Company amount to *BGN 1 034 487* and represent receivables under lease contracts for the agricultural seasons 2008/2009 (*BGN 575 960*) and 2007/2008 (*BGN 93 466*), provided advances under concluded intermediation contracts, receivables from interests and other short-term receivables as follows:

<b>Content and allocation:</b>	<u>31.12.2008</u>	<u>31.12.2007</u>
	( <i>BGN</i> )	( <i>BGN</i> )
Receivables from counterparties	669 426	24 165
Pre-payments	258 261	262 673
Receivables from interests	88 285	
Other receivables	18 515	5 928
<b>Total</b>	<b><u>1 034 487</u></b>	<b><u>292 766</u></b>

#### 5. Other current assets

As of December 31<sup>st</sup>, 2008 the Company reported other current assets amounting to *BGN 5 800* (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 December 31<sup>st</sup>, 2008 the current liabilities of the Company amounted at *BGN 767 205*, allocated as follows:

<b>Content and allocation:</b>	<u>31.12.2008</u>	<u>31.12.2007</u>
	( <i>BGN</i> )	( <i>BGN</i> )
Liabilities to the servicing company	181 372	28 625
Liabilities to counterparties	462 339	447 133
Liabilities to employees	-	-
Tax liabilities	-	-
Social security liabilities	-	-

Other current liabilities	123 494	22 143
<b>Total Current Liabilities</b>	<b>767 205</b>	<b>497 901</b>

The liabilities to counterparties include accrued commissions under concluded intermediation contracts for purchasing of agricultural land amounting to BGN 434 971 (31.12.2007: BGN 361 124).

Other current liabilities include accrued interest according to the contract for issuing corporate bonds. The interest is accrued for the period 26.09.2008 – 31.12.2008 at the amount of BGN 97 457, relating to the second interest payment. Date of the contract for issuing corporate bonds: 25 March, 2008. Interest is payable every 6 (six) months.

### **7. Deferred revenues**

As of December 31st, 2008 the Company reported deferred revenues at the amount of BGN 447 449 as a result of the accrued receivables under lease contracts for the agricultural seasons 2008/2009. A quarter of the amount of the deferred revenues is recognized as current income on a quarterly basis.

### **8. Equity**

#### **Share Capital**

As of December 31<sup>st</sup>, 2008 the authorized capital of the Company amount to *BGN 32 219 708* divided into 32 219 708 ordinary dematerialized shares with a par value of BGN 1 each.

On December 31<sup>st</sup>, 2007 the authorized capital of the company was BGN 16 137 954.

#### **Capital Reserves**

As of December 31<sup>st</sup>, 2008 the capital reserves amount to *BGN 4 765 146* formed from the difference between the nominal and issue value of the shares.

On December 31<sup>st</sup>, 2007 the capital reserves amounted to BGN 1 548 795.

#### **Current Profit (loss)**

The financial result for the reporting period 01.01.2008 – 31.12.2008 is a profit at the amount of *BGN 4 262 741*. As of September 30<sup>th</sup>, 2008 the Company made a revaluation of the acquired agricultural land at the amount of BGN 4 854 203 and formed 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 December 31<sup>st</sup>, 2008 the equity structure was as follows:

Equity:	31.12.2008r.	31.12.2007r.
	<i>(BGN)</i>	<i>(BGN)</i>
Share Capital	32 219 708	16 137 954
Capital Reserves	4 765 146	1 548 795
Retained earnings	3 501 986	128 780
Current Profit (loss)	4 262 741	3 373 206
<b>Total equity:</b>	<b>44 749 581</b>	<b>21 188 735</b>

## 9. Incomes

The Company reports the following incomes:

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

Recognition of revenues from lease contracts:

The agricultural season begins at October 1<sup>st</sup> and end at the September 30<sup>th</sup> of the following calendar year.

9.1. Agricultural season 2007/2008

9.1.1. For Lease contracts concerning 2007/2008 agricultural season and received until December 31<sup>st</sup>, 2007 one quarter of the revenue was recognized as income in 2007 and three quarters – as income in 2008.

9.1.2. For Lease contracts concerning 2007/2008 agricultural season and received between January 1<sup>st</sup>, 2008 and December 31<sup>st</sup>, 2008 the full amount of the income was recognized in 2008.

9.1.3. For Lease contracts concerning 2007/2008 agricultural season and received after December 31<sup>st</sup>, 2008 the full amount of the income will be recognized in 2009.

9.2. Agricultural season 2008/2009

9.2.1. For Lease contracts concerning 2008/2009 agricultural season and received until December 31<sup>st</sup>, 2008 one quarter of the revenue was recognized as income in 2008 and three quarters will be recognized as income in 2009.

9.2.2. For Lease contracts concerning 2008/2009 agricultural season and received between January 1<sup>st</sup>, 2009 and December 31<sup>st</sup>, 2009 the full amount of the income will be recognized in 2009.

9.2.3. For Lease contracts concerning 2008/2009 agricultural season and received after December 31<sup>st</sup>, 2009 the full amount of the income will be recognized in 2010.

As of December 31<sup>st</sup>, 2008 the Company reports income at the amount of *BGN 6 047 273* allocated as follows:

<b>Income:</b>	<b>01.01.2008- 31.12.2008</b>	<b>01.01.2007- 31.12.2007</b>
	<i>(BGN)</i>	<i>(BGN)</i>
Income from investment properties	617 125	29 936
Income from revaluation of investment properties	4 854 203	3 958 306
Interest Income	575 911	271 192
Other financial income	34	3
<b>Total Income</b>	<b>6 047 273</b>	<b>4 259 437</b>

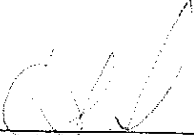
## 9. Expenses

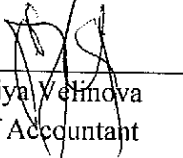
The expenses related to the operation of Agro Finance REIT as of December 31<sup>st</sup>, 2008 amount to *BGN 1 784 532* (3.51% of the total assets as per the balance sheet), structured as follows:

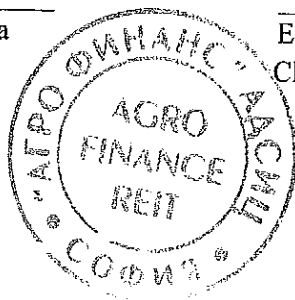
<b>Expenses:</b>	<b>01.01.2008- 31.12.2008</b>	<b>01.01.2007- 31.12.2007</b>
	<i>(BGN)</i>	<i>(BGN)</i>
<b>Administrative expenses</b>	<b>255 186</b>	<b>192 208</b>
Office rent and overheads	32 502	22 955
Telecommunication expenses	7 361	1 076
Expenses for advertisement and publishing of materials	16 963	16 302
Professional and audit fees	46 300	25 891
Expenses for remunerations and social security contributions (labor and civil contracts)	23 400	12 230
Expenses for remuneration and social security contributions of the Board of Directors	74 379	51 924
Depreciation expenses	28 007	13 242
Other administrative expenses	26 274	48 588
<b>Operating expenses</b>	<b>1 243 640</b>	<b>625 588</b>
State fees	292	580
Expenses for the Financial Supervision Commission; the Bulgarian Stock Exchange and the Central Depository	20 723	18 816
Expenses for bank depository	1 200	1 300
Expenses for servicing companies	897 442	285 103
Remunerations to the Investment Intermediaries	313 929	319 789
Other operating expenses	10 054	
<b>Financial expenses</b>	<b>285 706</b>	<b>68 434</b>
Interest expenses	281 818	66 954
Foreign exchange rate losses	2 373	
Other Financial expenses	1 515	1 480
<b>Total expenses:</b>	<b>1 784 532</b>	<b>886 230</b>

## 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

  
Emiliya Velinova  
Chief Accountant



January 20, 2009  
Sofia, Bulgaria