

ANNUAL REPORT ON THE ACTIVITIES OF ELANA AGRICULTURAL LAND OPPORTUNITY FUND REIT DURING 2007

(In accordance to art.32 and appendix No10 of Instruction No2 of September 17th, 2003, for the prospectuses for public offering of securities and for the disclosure of information by public companies and other issuers of securities)

General notice:

- 1. Unless otherwise stated, all quoted currencies are in Bulgarian Levs (BGN), where 1 Euro = 1.95583 BGN.*
- 2. Unless otherwise stated, all quoted volumes of land are given in decares, where 1 hectare = 10 decares.*

1. General information about Elana Agricultural Land Opportunity Fund REIT. Main partners.

Information about the Fund

The Fund is registered by the Sofia City Court (SCC) on April 7th, 2005, and is filed in the commercial register of the SCC under company case No 3781/2005, batch number 92550, volume 1208, register I, page 116. The office of registration and the management address of the Fund is Bulgaria, Sofia, 4 Kuzman Shapkarev str. The Fund's incorporation capital is 500 000 BGN. Later the Fund's capital has been increased three times and as this date the Fund has issued a total of 59 715 885 shares, while the raised capital amounts to about 73.2 million BGN. Elana Agricultural Land Opportunity Fund REIT is the largest company in the country, which invests in agricultural land.

An issue of corporate unsecured bonds totaling 10 million Euro was successfully placed in August 2007, with a maturity term of three years and an annual interest of 7%, which is paid twice a year.

The Fund has a single tier management structure. The Board of Directors (BoD) includes:

- Georgi Petrov Lichev – Chairman of the BoD and Executive Director;
- Georgi Valentinov Malinov – Vice-chairman of the BoD;

- Peter Stoyanov Bozhkov – member of the BoD;
- Strahil Nikolov Vidinov - member of the BoD;
- Andrey Valerievich Kruglykhin - member of the BoD.

As of the date of the preparation of this document, the Fund has not assigned a procurator.

Special legislation, regarding the activities of the Fund is contained within and stems chiefly from the Special Investment Purpose Companies Act (SIPCA) and the Public Offering of Securities Act (POSA). On the basis of the above acts, the Fund is regulated by the Financial Supervision Commission (FSC). The Company has received license No 370 for carrying out its activities by decision of the FSC from June 1st, 2005. It has been incorporated for a term of 7 years.

Main partners of the Fund

Elana Agricultural Land Opportunity Fund REIT carries out its activities with the cooperation of the following partners:

- Servicing company

The servicing company of the Fund, as per contract from 15.12.2005, is Elana Property Management PLC – Bulgaria, Sofia, 49 Bulgaria bul., tel.: +359 2 81 000 89, fax: +359 2 95 815 23

- Depository bank

The depository bank of the Company is UniCredit Bulbank with management address: Bulgaria, Sofia, 7 Sveta Nedelia plaza, tel.: +359 2 923 24 22, +359 2 923 29 94/5, fax: +359 2 987 74 64.

- Expert appraisers

In accordance to its obligations to art.18.2 of SIPCA, the Fund has contracted and uses the services of the following independent certified appraisers:

1. Ivela Invest EOOD, with management address: Bulgaria, Pleven, 48 Vasil Aprilov str., registered by decision of the Company Department of the Pleven County Court, case No 128/2006, BULSTAT 114661817;
2. Hitpress OOD, with management address: Bulgaria, Sofia, 1 Rayko Daskalov plaza, entrance B, fl. 2, ap. 18, registered by decision of the Company Department of the SCC, case No 13305/2004, BULSTAT 131342985;
3. ATrend EOOD is incorporated in 1997 in Varna and is filed in the commercial registers of the Varna County Court with case No 4006/1197;
4. Colliers International EOOD, registered under company case No 4061/1996 in the registers of the SCC.

- **Auditor**

The auditing company of Elana Agricultural Land Opportunity Fund REIT is Deloitte Audit OOD, with management address: Bulgaria, 1303 Sofia, 103 Alexander Stamboliiski bul., Sofia Towers (Mall of Sofia), registered by the SCC by company case No 10638/1996, BULSTAT 121145199, represented by Borislav Stratev – Manager. Deloitte Audit OOD is a member of the Institute of Certified Public Accountants in Bulgaria (ICPA).

The Fund does not hold shares of its servicing company.

2. Investment goals and restrictions

- **Subject of activity**

Elana Agricultural Land Opportunity Fund REIT's subject of activity is the investment of funds raised through securities issues into agricultural land. The core activities of the Fund are the organization of acquisition, renting out and the gradual concentration and consolidation of its portfolio of agricultural lands as well as the portfolio's subsequent sale in 2011.

- **Main goal**

According to the Statute of Elana Agricultural Land Opportunity Fund REIT, the main goal of its investment activities is aimed at increasing the market value of the Fund's shares and the distribution of dividends to its shareholders while maintaining or increasing its capital.

- **Investment restrictions**

Elana Agricultural Land Opportunity Fund REIT acquires only agricultural land and does not securitize other types of real estate.

According to the requirements of SIPCA, the Fund may not acquire property and other (limited) property rights over real estate located outside of the territory of the Republic of Bulgaria and it may not acquire property rights over real estate, which is subject to legal dispute.

During the upcoming Annual General Meeting of Shareholders of the Fund, the BoD intends to put to the vote an amendment to the Statute of Elana Agricultural Land Opportunity Fund REIT, according to which, the amount of investments in agricultural land for rezoning will be limited to 10% of the book value of the Fund's assets at the end of each fiscal year and may not exceed 5 million Euro.

According to SIPCA, the temporarily free funds of the Company may only be invested into:

- Securities, issued or guaranteed by the Bulgarian State, and bank deposits;
- Mortgage bonds, issued in accordance to the Mortgage Bonds Act (MBA), but no more than 10% of the assets of the Fund;
- Shares of one or more of its servicing companies, but no more than 10% of the Fund's capital.

- **Criteria for purchasing of arable agricultural land**

The criteria for selection of agricultural lands and the pricing policy of the Fund are incorporated in detailed internal regulations for the acquisition of agricultural land, according to which, agricultural land in Bulgaria is classified in 5 price levels/classes. Different prices for land of categories 1 to 10 are defined, which are then divided in three sub-classes based on the size of the respective plot (up to 10 decares, between 10 and 20 decares and over 20 decares).

The pricing policy of the Fund is reviewed and corrected in order to maintain and increase the competitiveness of the Fund at the end of every quarter or in the occurrence of changes in the market prices of agricultural land.

The pricing policy for each territory in which the Fund acquires land is a result of a combination of the following chief criteria:

Acquisition price

The acquisition price is not higher than the average market price for the corresponding category of agricultural lands and the respective territory.

Quality of the land

The Fund acquires only lands which are suitable for cultivation. The acquired lands are fields of 1st to 5th category, while lands of lower category may be acquired by exception if they are arable and suitable for cultivation.

Expected earnings

The levels of the current and expected rental rates are taken into consideration when determining the acquisition price.

Possibilities for concentration

Concentrated land within a territory is more sought after by tenant farmers, which in turn leads to higher rental rates and selling prices. Higher acquisition prices are determined for territories in which the Fund has achieved or believes to be able to achieve concentration of land.

Possibilities for consolidation

Due to the great fragmentation of land in Bulgaria, larger plots of land command higher market prices. The pricing policy of the Fund accounts for the possibilities to achieve natural consolidation of already bought land or plots pending purchase.

Location

The Fund acquires agricultural lands only in northern Bulgaria (chiefly in the Danube plain and the Dobrudja region) and in 3 areas of Southeastern Bulgaria (Burgas, Haskovo and Yambol). The strategy of the Fund is to distribute its portfolio in areas where the Fund will aim to concentrate its lands or in areas with strong investment interest. The goal is to subsequently trade lands in these areas for lands in areas where the Fund will concentrate its holdings.

- **Acquisition of agricultural land for rezoning**

In 2006 the BoD decided to invest part of the available capital of the Fund in agricultural land which would be rezoned and subsequently sold. These investments were planned to be in an amount and time period which

would not hinder investments in arable agricultural land. During 2006-2007 the Fund acquired about 270 decares of agricultural land around Sofia for rezoning and subsequent sale by the end of 2007. The delay in the approval of the General Urban Development Plan of Sofia has hindered their sale in 2007 but the Fund intends to undertake all necessary actions for the sale of these plots by the end of 2008.

- **Maximum permissible amount of management expenses**

According to art.60 of the Statute of the Fund, the maximum permissible amount of management expenses, including payments to the servicing company, the members of the BoD and employed staff, the registered auditor, appraisers, depository bank and others is 8% of the book value of the Fund's assets. During the fiscal years of 2005, 2006 and 2007 the average management and servicing expenses of the Fund amounted to about 3%. The BoD considers that this amount will not exceed 3% for the following years as well.

- **Restrictions to sources of financing**

The Statute of the Fund does not contain decrees in regard to changes of the capital of the Fund which are more restrictive than the terms set in the Commercial Act (CA). According to legislation and the Statute, the capital of the Fund is increased through issues of new shares or the conversion of bonds, which have been issued as convertible bonds. Decisions for increasing of the capital are made by the General Meeting of Shareholders. According to art.43 and 44 of the Statute, the BoD is empowered to decide on increasing the Fund's capital up to 120 000 000 BGN as well as on issuing of bonds (incl. convertible bonds) up to 60 000 000 BGN within 5 years from the registration of Elana Agricultural Land Opportunity Fund REIT in the commercial register. According to art.2.2 of SIPCA, the Fund may take out bank loans for the acquisition and exploitation of securitized assets and it may take out bank loans up to 20% of the book value of assets, which may be used to pay interest, provided that the loan is for a period of less than 12 months.

3. Information on the activities of the Fund since its incorporation up to December 31st, 2007, and during the current fiscal year

As of 31.12.2007 Elana Agricultural Land Opportunity Fund REIT has invested 77 896 000 BGN in agricultural lands as follows:

Investments in arable agricultural land 2005-2007.

Indicator		As of 31.12.2005	As of 31.12.2006	As of 31.12.2007
Total acquired land at the end of the year (cumulative)	<i>Decares</i>	20 700	143 790	251 167
Acquired land during the year	<i>Decares</i>	20 700	123 090	107 377
Average acquisition price during the year	<i>BGN/decare</i>	159	188	238
Average acquisition price (cumulative) for the portfolio	<i>BGN/decare</i>	159	184	207
Revaluated market price at the end of the year	<i>BGN/decare</i>	200	240	320
Invested funds during the year	<i>BGN</i>	3 301 000	23 095 000	25 573 000
Total invested funds at of the end of the year (cumulative)	<i>BGN</i>	3 301 000	26 396 000	51 969 000

Investments in other agricultural land (for rezoning) 2005-2007.

Indicator		As of 31.12.2005	As of 31.12.2006	As of 31.12.2007
Acquired land during the year	<i>Decares</i>	0	188	82
Invested funds during the year	<i>BGN</i>	0	18 712 000	7 214 000
Total invested funds at the end of the year (cumulative)	<i>BGN</i>	0	18 712 000	25 926 000

Total investments in agricultural land, annual revaluation and book value 2005-2007

Indicator		As of 31.12.2005	As of 31.12.2006	As of 31.12.2007
Invested funds during the year	<i>BGN</i>	3 301 000	41 807 000	32 788 000
Total invested funds at the end of the year (cumulative)	<i>BGN</i>	3 301 000	45 108 000	77 896 000
Annual revaluation of agricultural land for rezoning at the end of the year	<i>BGN</i>	0	3 979 000	30 800 000
Annual revaluation of arable agricultural land at the end of the year	<i>BGN</i>	847 000	7 266 000	20 344 000
Total revaluation at the end of the year	<i>BGN</i>	847 000	11 245 000	51 144 000
Book value at the end of the year	<i>BGN</i>	4 149 000	57 201 000	141 132 000

Dynamics of investments in arable agricultural land 2005-2007

Month	Land acquired during the month (decares)	Average acquisition price during the month (BGN/decare)	Total acquired land (BGN/decare)	Total investment (BGN)	Average cumulative acquisition price for the portfolio (BGN/decare)
May 2005	200	145	200	30 000	150
June 2005	500	150	700	105 000	150
July 2005	1 700	149	2 400	358 000	149
August 2005	1 200	168	3 600	560 000	156
September 2005	4 600	164	8 200	1 314 000	160
October 2005	4 400	157	12 600	2 006 000	159
November 2005	800	170	13 400	2 142 000	160
December 2005	7 300	159	20 700	3 301 000	159
January 2006	1 500	167	22 200	3 551 000	160
February 2006	7 100	183	29 300	4 850 000	166
March 2006	13 800	178	43 100	7 314 000	170
April 2006	11 600	178	54 700	9 374 000	171
May 2006	13 900	178	68 600	11 842 000	173
June 2006	10 400	179	79 000	13 701 000	173
July 2006	17 400	208	96 400	17 313 000	180
August 2006	17 800	197	114 200	20 821 000	182
September 2006	14 400	193	128 600	23 605 000	184
October 2006	4 700	174	133 300	24 421 000	183
November 2006	4 700	175	138 000	25 245 000	183
December 2006	5 800	198	143 800	26 396 000	184
January 2007	3 800	216	147 600	27 218 000	184
February 2007	6 100	214	153 700	28 523 000	186
March 2007	9 300	221	163 000	30 575 000	188
April 2007	10 500	216	173 500	32 842 000	189
May 2007	10 400	213	183 900	35 054 000	191
June 2007	9 600	209	193 500	37 058 000	192
July 2007	12 400	229	205 900	39 903 000	194
August 2007	8 700	219	214 600	41 806 000	195
September 2007	9 200	241	223 800	44 020 000	197
October 2007	10 600	229	234 400	46 449 000	198
November 2007	8 500	366	242 900	49 564 000	204
December 2007	8 300	290	251 200	51 970 000	207

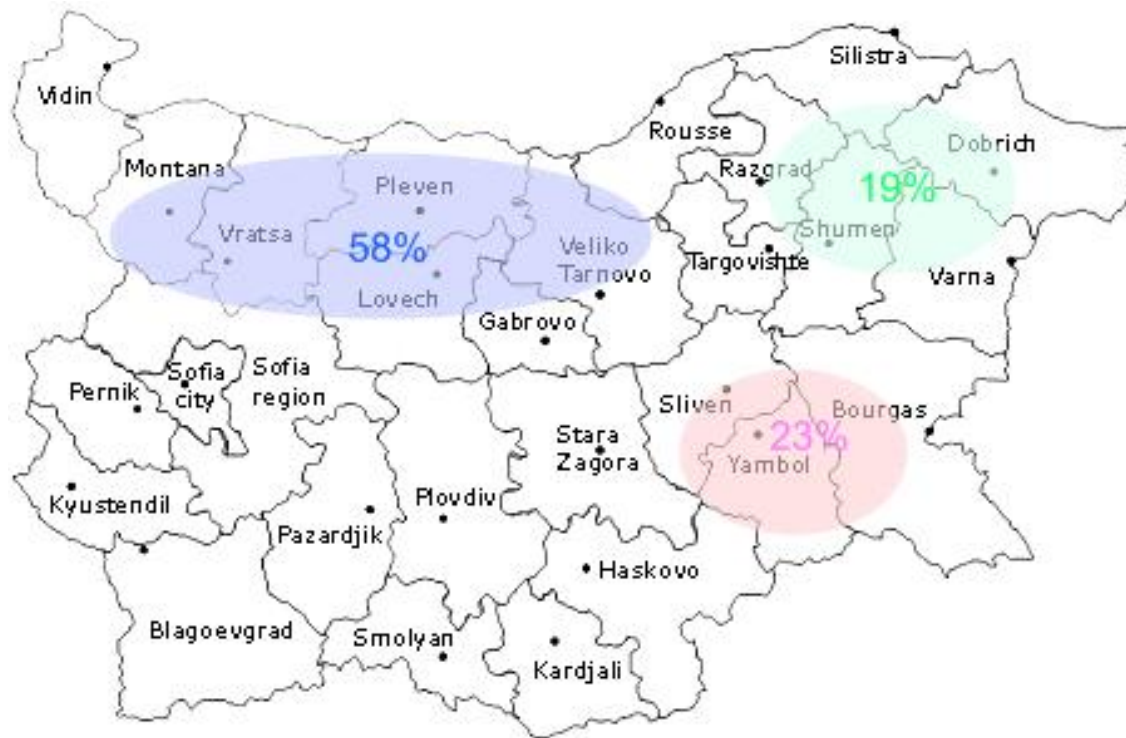
Distribution of the arable agricultural land portfolio by area as of 31.12.2007.

Area	Decares	Share (%)
Pleven	39 000	15.53%
Yambol	31 600	12.58%
Vidin	25 500	10.15%
Veliko Tarnovo	20 700	8.24%
Vratsa	17 500	6.97%
Targovishte	15 900	6.33%
Lovech	15 600	6.21%
Montana	12 300	4.90%
Haskovo	10 900	4.34%
Burgas	10 300	4.10%
Shumen	9 100	3.62%
Ruse	9 000	3.58%
Razgrad	8 900	3.54%
Dobrich	8 900	3.54%
Stara Zagora	4 600	1.83%
Gabrovo	4 400	1.75%
Silistra	3 800	1.51%
Varna	2 400	0.96%
Other	800	0.31%
Total	251 200	100.00%

Distribution of the arable agricultural land portfolio by category as of 31.12.2007.

Category	Decares	Share (%)
I	50	0.02%
II	9 200	3.66%
III	71 150	28.33%
IV	81 200	32.33%
V	54 700	21.78%
VI	24 200	9.64%
VII	6 800	2.71%
VIII	1 500	0.60%
IX	1 900	0.76%
X	500	0.19%
Total	251 200	100.00%

Distribution of the arable agricultural land portfolio by region as of 31.12.2007.



As of December 31st, 2007, the Fund owns about 251 200 decares of arable agricultural land at an average acquisition price including all transaction costs of 207 BGN, as well as 270 decares of agricultural land for rezoning. During 2007 the Fund has invested 32 788 000 BGN, of which 25 573 000 are invested in the acquisition of 107 377 decares of arable agricultural land at an average acquisition price for the year of 238 BGN with all transaction costs included. 7 214 000 BGN have been invested in 82 decares of agricultural land for rezoning.

The market share of Elana Agricultural Land Opportunity Fund REIT is the highest amongst the remaining special investment purpose companies investing in agricultural land. Compared to the national volume of the market, the Fund's share is also considerable.

	2002	2003	2004	2005	2006	2007
Sold land (decares)	350 000	350 000	450 000	560 000	900 000	1 061 000
Market share of the Fund				8%*	13%	10%

*interpolated value for 6 months

An advantage of Elana Agricultural Land Opportunity Fund REIT is its own network of 70 regional representatives in northern and southeastern Bulgaria, which purchase agricultural land for the Fund directly from

owners. This network greatly reduces transaction costs for the Fund, which allows the Fund to maintain the lowest acquisition prices amongst its competitors.

4. Management of acquired agricultural lands

4.1 Renting out of acquired agricultural lands

Over 90% of the land acquired by the Fund is being cultivated by local farmers. During the time of acquisition of the lands, most of the rental relations between these tenant farmers and the owners of the land who sell it to the Fund are not formalized with specific rental contracts. The Fund does not acquire lands for which there is an already signed rental contract with conditions unfavorable for the owner or with rental rates severely deviating from market rates at the moment of purchase. The servicing company determines the pricing policy and fixes minimal rental rates for each year.

One of the main tasks of the Fund is to continually identify all tenant farmers cultivating lands acquired by the Fund without legal grounds at the time of purchase of the lands. The Fund maintains a data base containing information about farmers in all territories where the Fund purchases agricultural land. On the basis of analysis of this information, tenant farmers are selected and offered land acquired at the beginning of the agricultural season in the respective territory. The selection is based on a number of factors, including: offered rental payment, term of the contract, possibilities for subsequent rental of other acquired plots, risk of payment failure, etc. The Fund typically signs 4-year contracts with a 20% annual raise of rental rates. Should the Fund estimate that such long term contracts may be unbeneficial, contracts may be signed for a single year.

The Fund maintains a data base for the rental status of every purchased plot which is updated monthly. The Fund is aided in its rental operations by District Administrators. Their tasks include identifying potential tenant farmers, negotiating, acquiring the necessary documents and finally signing rental contracts.

For the agricultural season 2007/2008 Elana Agricultural Land Opportunity Fund REIT has insured its rental receivables with the state owned Bulgarian Agency of Export Insurance.

The expected changes in revenues of the Fund for the following years are based on rising rental income as well as on the planned for 2008 sale of acquired agricultural land for rezoning.

Rental revenues are forecasted with a 20% annual increase for the 2008-2011 period based on the typical 4-year contracts. The Fund expects that the ratio between rented out land and acquired land will gradually reach 90% by 2011. The following table represents the results of rental operations for 2006 and 2007 and the expected revenues for the 2008-2011 period.

Agricultural season	Year of rental payments receipt	Total acquired land (decares) *	Rented out land (decares)	Share (%)	Average rental rate (BGN/decare)	Expected revenues (BGN, thousands)
2005/2006	2006	20 700	2 900	14%	6.57	19
2006/2007	2007	143 000	70 000	49%	8.96	627
2007/2008	2008	251 000	170 000	68%	12.80	2 176
2008/2009**	2009	331 000	266 000	80%	15.40	4 096
2009/2010**	2010	381 000	343 000	90%	18.50	6 346
2010/2011**	2011	431 000	390 000	90%	22.20	8 658

* Total acquired land as of December 31st of the year when the respective agricultural season begins. ** Data for 2008-2011 is forecasted and indicative.

4.2 Land concentration and consolidation activities

The Fund's strategy and activities for the concentration and consolidation of its land holdings may be reviewed in the following stages:

June 2005 – December 2006

The Fund acquires land in almost all areas of the Danube Plain and Dobrudja: Vidin, Vraca, Montana, Lovech, Ruse, Shumen, Targovishte, Veliko Tarnovo, Silistra and Dobrich, as well as lands in the Burgas, Yambol and Haskovo areas (Southeastern Bulgaria). The aim is to accumulate a critical mass of land of about 20 000 hectares.

January 2007 – December 2007

A new pricing policy has been implemented on January 1st, 2007, which aims to concentrate land acquisition in particular territories by dividing territories in five distinct acquisition price levels/classes. As of December 31st, 2007, the Fund has purchased lands in about 1 500 territories, while 92% of the lands is concentrated in 850 territories.

January 2008 – December 2008

By the end of this term, the Fund will aim to define no more than 400 priority territories, based on a combination of criteria, in which the Fund will aim to own concentrated land of about 1000 decares in each territory.

January 2009 – December 2010

During this period, the Fund plans active swapping of land acquired outside of the defined priority territories for land located within priority territories. Alongside this process, the Fund plans to participate in consolidation projects within the priority territories aiming to consolidate its holdings of concentrated lands as much as possible

5. Information from the Annual Financial Statements of the Fund for 2007

Note: figures are in BGN, thousands. Data is from the audited Annual Financial Statements of the Fund.

Balance Sheet as of 31.12.2007

Assets	As of 31.12.2007
Investment properties	141 132
Property, plant and equipment	46
Trade and other receivables (1)	982
Cash and equivalents	10 600
Total assets	152 760
Liabilities	
Bonds	19 558
Interest on bonds	561
Accounts payable (2)	2 660
Total liabilities	22 779
Net assets	
	129 981
Equity	
Share capital	59 716
Share premiums	13 453
Retained earnings	9 361
Profit for the current year	47 451
Total equity	129 981

Income Statement for the year ended on 31.12.2007

Income	Year ended on 31.12.2007
Gains on revaluation of investment properties	51 144
Rental income	627
Income from sale of investment properties	971
Interest income	704
Total operating income	53 446
Expenses	
Hired services (3)	-4 590
Book value of sold investment properties	-600
Interest expenses on bonds issue	-563
Losses on operations from financial assets held for trading	-16
Materials expenses	-38
Depreciation	-30
Employee benefits expenses	-110
Other expenses, net	-48
Total operating expenses	-5 995
Profit	
Profit before taxation	47 451
Taxes	0
Net profit for the period	47 451

Trade and other receivables from the Balance Sheet of the Fund as of 31.12.2007

Trade and other receivables (1)	As of 31.12.2007
Dues from clients, suppliers and regional representatives	714
Rental receivables	207
Interest receivables	46
Advances to employees	2
Other receivables	13
Total	982

Accounts payable from the Balance Sheet of the Fund as of 31.12.2007

Accounts payable (2)	As of 31.12.2007
Dues to the servicing company	1 771
Dues to suppliers and regional representatives	822
Dues to employees	53
Finance lease liabilities	15
Social security fund dues	3
Tax dues	1
Total	2 660

Hired services from the Income Statement of the Fund for the year ending on 31.12.2007

Hired services (3)	Year ending on 31.12.2007
Expenses for the servicing company	3 517
Expenses for advertisement	243
Expenses for rent and maintenance	186
Expenses for brokerage contracts	165
Expenses for bonds issue	98
Expenses from available funds management contract	84
Expenses for licensed appraiser services	59
Expenses for audit services	111
Expenses for consulting services	37
Expenses for legal consulting fees	15
Expenses for other fees (Central Depository, Financial Supervision Commission, Bulgarian Stock Exchange, other)	14
Expenses for membership fees for the Bulgarian Association of Agricultural Land Owners	7
Expenses for insurance	6
Expenses for credit rating assessment	4
Other hired services expenses	44
Total	4 590

Detailed information about the financial state of the Fund may be found in the Annual Financial Statements of Elana Agricultural Land Opportunity Fund REIT and attached notes.

6. Other information according to appendix No 10 of Instruction No 2 for the prospectuses for public offering of securities and for the disclosure of information by public companies and other issuers of securities (from September 17th, 2003).

- **Information on deals between the Fund and related parties.**

In the sense of par.1, item 12 of the Supplementary Provisions of the POSA, related parties are:

- (a) entities, one of which controls the other or its subsidiary;
- (b) entities, whose activities are controlled by a third party;
- (c) entities, which jointly control a third party;
- (d) spouses, direct relatives without restrictions, lateral branch relatives up to fourth level including relatives by marriage up to fourth level.

As of now, the Fund has not been engaged in deals for real estate or other assets with the participation of "related parties" and has not received proposals for such deals.

- **Information on deals which do not relate to the core activity of the Fund or deviate significantly from market conditions.**

No such deals have been made during 2007.

- **Information on off-balance sheet deals.**

No such deals have been made during 2007.

- **Information on equity participation of the Fund and on its main investments in the country and abroad.**

Elana Agricultural Land Opportunity Fund REIT does not own equity in other companies. According to art.4, par.4 of SIPCA real estate acquired by special investment purpose companies must be located in the territory of the Republic of Bulgaria. Due to the character of the Company's activities, the imperative provision of art.4, par.4 of SIPCA is a legislative prohibition of activities outside of the territory of the Republic of Bulgaria and such activities have not been carried out by the Fund. Detailed information of the Fund's activities in the country has been presented in point 3 of this document.

- **Information on deals of the Fund, as a receiver of rental payments, rental contracts and their terms, including final payment terms, as well as information for provided guarantees and undertaken obligations.**

In August 2007 the Fund successfully placed an unsecured bonds issue for a total of 10 million Euro. The maturity term of the bonds is three years with a fixed annual interest rate of 7%, paid every six months. The raised funds are used for the continuation of the Fund's investment strategy. The bond loan may be paid off in advance following one year of its obtaining.

- **Information on loans granted out by the Fund.**

The Fund has not granted out loans and has no obligations as a guarantor for loans of third parties.

- **Information on the use of funds, raised through a new issue of securities during the fiscal year.**

The Fund has not issued new shares during 2007. An issue of bonds has been successfully placed for a total of 10 million Euro. The funds raised from the bonds issue are being used for the realization of the Fund's investment strategy during 2007 and 2008.

- **Analysis of the relation between the financial results of the Fund and prior forecasts for these results.**

At the end of 2006 the Fund planned the acquisition of 100 000 to 120 000 decares of arable agricultural land for 2007. During 2007 it purchased about 107 400 decares at an average acquisition price of 238 BGN per decare with all transaction costs included.

At the end of 2006 the Fund planned the sale of its agricultural land for rezoning by the end of 2007. The delay in the adoption of the amendments to the General Urban Development Plan of Sofia reflected on the rezoning procedures for the rezoning land and subsequently on its sale.

The price of the Fund's shares reached 2.30 BGN while the anticipated price in the Annual Report on the Fund's activities for 2006 was in the range of 1.70 to 1.80 BGN. It should be noted that the value of the Fund's shares remained stable even during the present downward correction of share prices on the Bulgarian Stock Exchange.

- **Analysis and assessment of the policy on management of funds with noted possibilities for servicing of liabilities, possible threats and actions the issuer has taken or intends on taking for the neutralization of these threats.**

As of 31.12.2007 the Fund has issued unsecured bonds for a three-year period with a fixed 7% annual interest, paid every six months. The necessary funds for interest payments during 2008 will be at the expense of the Fund's own financial resources and/or rental revenues and revenues from the sale of agricultural land for rezoning during 2008.

As of the date of the present report, the Fund has no other obligations and does not estimate that there are any threats of difficulties in paying its obligations.

- **Assessment of possibilities for realization of the investment intentions with noted available funds and possibilities for changes in the financing structure of activities.**

The planned acquisition of about 80 000 decares of arable agricultural land during 2008 will be financed with funds of the Company including the

available as of 31.12.2007 10 600 000 BGN and expected during 2008 revenues from the sale of land for rezoning.

- **Information on changes of the main principles of management during the fiscal year.**

There has been no change in the main management principles during the fiscal year.

- **Information on the main characteristics of applied systems for internal control and risk management during the preparation of the financial statements.**

The financial statements of the Fund are prepared by the servicing company Elana Property Management PLC on the basis of the signed contract. The servicing company has developed and applies a strict policy on internal control, including preventive, current and subsequent control for all financial operations of the Fund, where there is potential risk for the Fund's activities.

- **Information on changes in the management bodies during the fiscal year.**

During the Annual General Meeting of Shareholders held on June 14th, 2007, Andrey Valerievich Kruglykhin and Strahil Nikolov Vidinov have been appointed as members of the BoD for the remainder of the BoD's mandate.

- **Information on the members of the BoD remuneration.**

Since the incorporation of the Fund, 46 800 BGN have been accrued as remuneration of the members of the BoD. As of 31.12.2007 a total of 8 860.50 of these have been paid. With a protocol decision from May 15th, 2005, the members of the BoD waved their right to receive remuneration as determined by the General Meeting of Shareholders. The accrued remunerations are only for the period from the last Annual General Meeting of Shareholders (14.06.2007) until 31.12.2007.

According to art.50 of the Statute of Elana Agricultural Land Opportunity Fund REIT, each of the members of the BoD receives fixed monthly remuneration which may not exceed 10 (ten) times the amount of the minimum wage for the country. During the previously held Annual General Meetings of Shareholders it has been voted that the members of the BoD would receive a monthly remuneration amounting to 10 times the minimum wage for the country.

- **Information on shares of the Fund owned by members of the BoD**

As of the date of the preparation of this report the members of the BoD do not own shares of the Fund, excluding Peter Stoyanov Bozhkov, independent member of the BoD, who owns 20 000 shares.

- **Information on agreements known by the Company (including after the end of the fiscal year) which may lead to future changes in the ratio of owned shares or bonds by current shareholders or bond holders.**

The Fund is not aware of any agreements which may lead to future changes in the ratio of owned shares or bonds by current shareholders or bond holders.

- **Information on unsettled court, administrative or arbitrary proceedings regarding liabilities or receivables of the Fund amounting to at least 10% of its share capital.**

As of the date of the preparation of the present report, the Fund is not party to any unsettled court, administrative or arbitrary proceedings regarding liabilities or receivables of the Fund amounting to at least 10% of its share capital.

- **Information on the Investor Relations Director.**

In compliance to the provisions of art.116 of POSA, the BoD of Elana Agricultural Land Opportunity Fund REIT has assigned with an employment contract Georgi Stoyanov Georgiev as the Investor Relations Director who has a suitable qualification and experience in fulfilling his obligations, is not a member of the management or supervisory body or a procurator of a public company and conforms with all other requirements set in POSA for the position of Investor Relations Director of a public company. According to art.116 of POSA, the main function of the Investor Relations Director is related to the accomplishment of an effective link between the BoD of the Fund and its shareholders. Specifically, the Investor Relations Director is responsible for:

- (a) providing information on the financial state of the Fund, on general meetings of shareholders and all other information to which shareholders and investors are entitled to as such;
- (b) the presentation of financial statements and notices to the Financial Supervision Commission, the Bulgarian Stock Exchange and the Central Depository;
- (c) the drawing up and filing of the minutes during the meetings of the BoD.

Investors may receive additional information about the Fund from the Investor Relations Director every workday from 9:00 to 17:00 at the following address: Bulgaria, Sofia, 49 Bulgaria bul., Business Center Vitoshka, fl.5, tel.: +359 2 81 000 86.

7. Information in regard to art.41.1.7 of Instruction No2.

- **Ratio between assets rented out for payment and total assets.**

The agricultural season in Bulgaria begins in October and ends in September of the following year. Over 90% of the Fund's land is being cultivated by local farmers. The farmers cultivating each specific plot are identified during its purchase. The process of identification takes time, which accounts for the difference between the area of land effectively being cultivated and the area of land which is rented out with a formal rental contract. The area of formally rented out land is presented in the following table.

Season	Total acquired land (decares)	Rented out land (decares)	Share (%)	Average rental rate (BGN/decare)	Expected revenues (BGN, thousands)	Received revenues (BGN, thousands)
2005/2006	20 700	2 900	14%	6.57	19	19
2006/2007	143 000	70 000	49%	8.96	627	420*
2007/2008	251 000	170 000	68%	12.91	2 195	October 2008**

* As of the date of the preparation of the present report, the total amount of received revenues for the 2006/2007 season amount to 606 thousand BGN. ** The receipt of revenues for the 2007/2008 season is expected in October 2008.

The first subsidies from the EU for a unit of land have greatly motivated local farmers to formalize their relations with landowners. This will lead to a minimal difference between formally rented out land area and land area effectively being cultivated for the 2008-2010 period.

The risk of non-payment of rent for the 2007/2008 season and following years is insured with the State owned Bulgarian Agency for Export Insurance.

- Information on the purchase or sale of a new asset with a value of over 5% of the sum of securitized assets, as well as information on such deals having been made after the date of the preparation of the annual financial statements.

The Fund has not purchased or sold an asset with a value of over 5% of the sum of securitized assets during 2007. During the period from 01.01.2008 until the preparation of this report, the Fund has not purchased or sold an asset with a value of over 5% of the sum of securitized assets.

- Construction, maintenance and improvements of real estate. The investment strategy of the Fund does not envisage construction, maintenance and improvements of real estate owned by the Fund. Such actions have not been taken and the investment properties of the Fund will be sold in the condition they have been bought.

- Relative share of unpaid rentals to receivables resulting from signed rental contracts and agreements.

As of 31.12.2007 the accrued receivables for rental payments amount to 627 000 BGN, of which 606 500 have been received as of the date of the preparation of this report. The relative share of unpaid receivables is 3% of the total accrued rental receivables as of 31.12.2007. Payments are continually being received which will lead to an even lower relative share of unpaid rentals.

8. Indicators as per Appendix No 11 of Instruction No 2 from 17.09.2003 for the prospectuses for public offering of securities and for the disclosure of information by public companies and other issuers of securities.

- **Capital structure**

As of December 31st, 2007, the Fund has issued a total of 59 715 885 common shares with a nominal value of 1 BGN. The share capital of the Fund has been increased 3 times since its incorporation with an initial capital of 500 000 BGN. The total sum of raised capital including share premiums amounts to 73.2 million BGN. The following table presents the capital structure of the Fund since its incorporation and up to 31.12.2007.

Capital Structure (BGN, thousands)	2005	2006	2007
Incorporation share capital	500	0	0
Increase of share capital	19 432	39 784	0
Share premiums	3 507	9 946	0
Total share capital	23 439	73 169	73 169
Bonds issue	0	0	19 558
Total liability	0	0	19 558
Total share and debt capital	23 439	73 169	92 727

- **Restrictions to transfer of securities, such as restrictions to ownership of securities or need of approval from the Company or another shareholder.**

The Statute of Elana Agricultural Land Opportunity Fund REIT does not contain restrictions to the transfer of securities or a need of approval from the Fund or another shareholder/bondholder.

- **Information on the direct or indirect holding of over 5% or more of the voting rights in the general Meeting of shareholders of the company.**

Shareholder	Number of shares	Share %
QVT FUND LP	23 108 602	38.70%
ALLIANZ BULGARIA	9 652 468	16.16%
MORGAN STANLEY	6 531 341	10.94%
RAIFFEISEN ZENTRALBANK OSTERREICH AG	3 943 698	6.60%
Freefloat	16 479 776	27.60%
Total	59 715 885	100.00%

* As of 22.01.2008. Source: Central Depository.

As of the date of the preparation of the present report the Fund has received notice informing it that the share of the holdings of QVT FUND LP has exceeded 40% and amounts to 40.058% at the present moment.

- **Information on shareholders with special controlling rights.**

At the present there are no such shareholders.

- **Controlling system for the exercise of voting rights in cases, when employees of the company are also its shareholders and when the control is not exercised by them.**

The Fund has not developed a specific system for controlling voting rights exercise in cases when employees of the Fund are also its shareholders.

- **Restrictions of voting rights.**

The Statute of Elana Agricultural Land Opportunity Fund REIT does not include restrictions of voting rights.

- **Agreements between shareholders which are known by the company and which may lead to restrictions of voting rights or of the transfer of shares.**

The Fund is not aware of Agreements between shareholders which are known by the company and which may lead to restrictions of voting rights or of the transfer of shares.

- **Provisions concerning assignment and dismissal of members of the managing bodies of the company and provisions concerning the implementation of amendments and additions to the Statute of the company.**

According to art.39 of the Statute of the Fund, the BoD is elected by the General Meeting of Shareholders (GMS) for a term of 5 years, whereas the members of the first BoD are elected for a term of 3 years. The members of the BoD may be reelected without limitation and after their mandate ends they remain on duty until the GMS elects a new BoD. The Statute of the Fund has determined that the BoD will consist of three to nine members and that it may be changed by the GMS at any given time. At the present the BoD includes five members, including 2 independent members. According to art.40, par.5 of the Statute, the definition of an "independent member" (which corresponds to the definition given in art.166a, par. 2 of POSA) means that the respective director: is not an employee of the Fund; does not hold directly or through related parties over 25% of the votes in the GMS and that he/she is not a member of a management body, procurator or employee of a legal entity, which holds such a stake; is not a related party to the Fund; is not engaged in lasting trade relationships with the Fund and is not a member of the management body, procurator or employee of a legal entity which is engaged in such relations with the Fund; is not a related party to any other member of the BoD of the Fund.

Art.37, par. 2 in relation to art.31, par. 1-4 of the Statute provides a larger majority than stipulated by law for the election and dismissal of members of the BoD. Art.230 of the Commercial Act provides for a common majority (1/2) of represented shares, while the Statute requires a $\frac{3}{4}$ majority.

According to art.31, par.1 of the Statute, amendments and additions to the Statute are made by the GMS.

- **Powers of the management bodies of the company, including the right to decide on issuance and buyback of shares of the company.**

According to art.196, par. 1 and art.204, par. 3 of the Commercial Act and art.43 and 44 of the Statute of the Fund, the BoD is empowered within a term of 5 years since the incorporation of the Fund to decide on increasing the share capital up to 120 000 000 BGN by issuing of new shares, as well as on issuing of bonds up to 60 000 000 BGN.

During share capital increases (excluding the initial obligatory capital increase) each shareholder is entitled to receive a part of the new shares, proportionate to his/her share before the capital increase. This right may be limited or waved as per art.194, par. 4 and 196, par. 3 of the Commercial Act. Rights, as per the sense of par. 1, item 3 of the Supplementary Provisions of POSA, are issued during share capital increases. One right is issued for each existing share. The ratio between issued rights and each new share is defined in the decision for a capital increase.

The share capital of the Fund may be decreased by invalidating buyback shares which have been issued with a buyback privilege. The Fund may issue such shares in compliance to art.15 and 16 of the Statute. The share capital may not be decreased through compulsory buyback of shares or by buyback as per art.111, par.5 of POSA.

- **Significant contracts of the company, which enter into force, might be amended or terminated due to the change in the control of the company upon a mandatory tender offer.**

No contracts have been signed, which enter into force, might be amended or terminated due to the change in the control of the company upon a mandatory tender offer.

- **Agreements between the company and its management bodies or employees for the payment of compensations for relinquishing or dismissal without legal grounds or termination of their contracts due to causes related to a tender offer.**

There are no clauses in the contracts with the members of the BoD or employees for the payment of compensations for relinquishing or dismissal without legal grounds or termination of their contracts due to causes related to a tender offer.

9. Actions in relation to compliance with law requirements and protection of shareholder interests.

1. Insurance of acquired real estate in compliance with art.17, par. 2 of SIPCA – at the present there is no insurance product on the market for agricultural lands, for which the Financial Supervision Commission has been duly informed.
2. Contracting a servicing company in compliance with art.18, par. 2 of SIPCA – such a contract has been signed with Elana Investment PLC on 28.04.2005 and since 15.12.2005 Elana Property Management PLC is the servicing company of the Fund.
3. Selection of a registered appraiser in compliance with art.19 of SIPCA. Up to this day, the Fund has contracted four independent appraisers which in accordance with art.19 of SIPCA have appraised real estate acquired by the Fund.

Ivela Invest EOOD and Hitpress OOD have done current appraisals for the purchased plots and the annual revaluation of acquired arable agricultural lands as of 31.12.2005, 31.12.2006 and 31.12.2007.

Colliers International EOOD has revaluated the acquired agricultural land for rezoning as of 31.12.2006.

ATrend EOOD and Ivela Invest EOOD have independently appraised acquired agricultural land for rezoning as of 31.12.2007.

4. Fulfillment of information disclosure obligations – quarterly financial statements have been duly submitted to the Financial Supervision Commission and the Bulgarian Stock Exchange, while the Annual Financial Statements will be presented to the authorities 90 days following the end of the year, which is the lawful term.
 5. Contracting a registered auditor – the GMS has selected Deloitte Audit OOD as the auditor of the Fund with a management address: Bulgaria, 1303 Sofia, 103 Alexander Stamboliiski bul., Sofia Towers (Mall of Sofia), registered by the Sofia City Court with company case No 10638/1996, BULSTAT 121145199, represented by Borislav Stratev – Manager. Deloitte Audit OOD is a member of the Institute of Certified Public Accountants in Bulgaria (ICPA). Deloitte Audit OOD is registered under No 33 of the list of registered auditing companies of ICPA.
- 10. Information in accordance to art.247 and 187, letter “d” of the Commercial Act.**

- In accordance to art.247 of the Commercial Act and art.114b, par. 1 of POSA, the members of the BoD declare and disclose the following information:

According to art.114b of POSA, the members of the BoD of Elana Agricultural Land Opportunity Fund REIT disclose information regarding:

- a) *legal entities in which they own directly or indirectly at least 25% of the votes in the general meeting or legal entities over which they have control.*

The members of the BoD of Elana Agricultural Land Opportunity Fund REIT declare that they do not own directly or indirectly at least 25% of the votes in the general meeting or that they do not exercise control over another legal entity.

- b) *The legal entities of whose management or supervisory bodies they are members or are procurators.*

The members of the BoD declare that, as of the date of the preparation of this report, they are members of the management or supervisory bodies of companies as follows:

- **Georgi Petrov Lichev** – Chairman of the BoD and Executive Director of the Fund participates in the management of:
 1. Elana Trading PLC, Sofia, registered by the Sofia City Court with company case No 18307/1991 as a Vice-chairman of the Board of Directors;
 2. Elana High Yield Fund PLC, Sofia, registered by the Sofia City Court with company case No 3340/2005 as a Chairman of the Board of Directors;
 3. Elana Holding PLC, Sofia, registered by the Sofia City Court with company case No 15747/1998 as an Executive Director;
 4. Elana Finances PLC, Sofia, registered by the Sofia City Court with company case No 1560/2001 as an Executive Director.
- **Georgi Valentinov Malinov** – Vice-chairman of the BoD of the Fund participates in the management of:
 1. Elana Fund Management PLC, Sofia, registered by the Sofia City Court with company case No 7192/2002 as a procurator;
 2. Elana Financial Holding PLC, Sofia, registered by the Sofia City Court with company case No 5484/2003 as a member of the Board of Directors;
 3. KK Invest PLC, Sofia, as member of the Board of Directors.
- **Peter Stoyanov Bozkhov** – member of the BoD of the Fund participates in the management of:
 1. Duni PLC, Sozopol, registered by the Burgas County Court with company case No 5833/1991 as a Chairman of the Board of Directors.
- **Andrey Valerievich Kruglykhin** – member of the BoD of the Fund participates in the management of:
 1. Flamingo International SA, Romania, as a member of the BoD;
 2. Black Sea Property Fund, as a member of the BoD.
- **Strahil Nikolov Vidinov** – member of the BoD of the Fund participates in the management of:
 1. Allianz Bulgaria Voluntary Pension Fund, as an Executive Director;
 2. Allianz Bulgaria Voluntary Occupational Pension Fund, as an Executive Director;

3. Allianz Bulgaria Compulsory Occupational Pension Fund, as an Executive Director;
 4. Allianz Bulgaria Compulsory Universal Pension Fund, as an Executive Director;
 5. Allianz Bulgaria Pension Company, as an Executive Director;
 6. Bulgaria Net PLC, as a Chairman of the BoD;
 7. Allianz Leasing and Services PLC, as a member of the Supervisory Board.
- Information disclosed as per art.114b of POSA by entities which directly or indirectly hold over 25% of the votes in the general meeting of shareholders of Elana Agricultural Land Opportunity Fund REIT or control it.

As of the date of the preparation of the present document the only shareholder holding over 25% of the votes in the general Meeting is QVT Fund LP with 40.058% of the total number of issued shares, respectively votes in the GMS.

- In regard to known present and future deals for which the members of the BoD believe that might be defined as deals with related parties, the members of the BoD declare that they are not aware of such deals.
- In regards to art.187d of the Commercial Act, the BoD declares that the Fund has not acquired any of its own shares during the fiscal year.

11. Information regarding the program for application of the internationally accepted standards for good corporate management.

In compliance with the requirements of art. 94, par. 2, item 3 of POSA /abrogated/ for the development and application of the international standards for good corporate management, the BoD has approved in 2005 a "Program for Application of the Internationally Accepted Standards for Good Corporate Management". It is strictly followed by Elana Agricultural Land Opportunity Fund REIT as well as by Elana Property Management PLC – the servicing company. The BoD supervises the execution of the program, guaranteeing the good management of the Fund's investments as well as investments made in the Fund. With the aim to improve the activities of the Fund and for the better protection of the investments, rights and interests of shareholders, the BoD has greatly increased the requirements in the program mostly for the servicing company with a protocol decision of October 2006. The BoD acknowledges the excellent performance in the set control mechanisms as a guarantee for achieving good results in the future activities of the Fund.

12. Important events since the end of the fiscal year 2007.

During the first quarter of 2008 Elana Agricultural Land Opportunity Fund REIT has acquired 13 000 decares of arable agricultural land. The decrease in the average rate of acquisition is due to a variety of factors, including an observed increase in demand for agricultural lands by non-public companies, which purchase lands for investment purposes, as well as by tenant farmers; a diminishing supply from landowners due to expectations for a stable raise in land prices for the following years. The first payment of EU subsidies for a unit of land has also made an impact on demand for land and rising prices and rental rates.

Active marketing of the Fund's agricultural lands for rezoning has begun on 2008, aiming for a sale by the end of 2008.

During the meeting of the BoD on 15.02.2008 it was decided to put to voting an amendment of the Statute of Elana Agricultural Land Opportunity Fund REIT, according to which, the amount of investments in agricultural land for non-agricultural purposes will be limited to 10% of the book value of the Fund's assets at the end of each fiscal year and may not exceed 5 million Euro.

13. Development prospects for the Fund in 2008.

Elana Agricultural Land Opportunity Fund plans to acquire about 80 000 decares of arable agricultural land during 2008. The average acquisition price for 2008 is expected to be about 290 BGN per decare. Thus, as of December 31st, 2008, the portfolio of arable agricultural land is expected to reach about 330 000 decares at an average cumulative all transaction costs inclusive price of 227 BGN per decare.

Also, the Fund plans to sell its agricultural land for rezoning during 2008.

14. Share price trends.

During the fiscal year the prices of the Fund's shares have fluctuated between 1.28 to 2.40 BGN. As of the moment of preparation of this report, the Fund's shares are being traded at 2.30 BGN. A lasting up-trend in the prices of the Fund's shares may be observed since its incorporation. This is a consequence of the increasing value of the assets of the Fund as well as of the stably increasing rental revenues. This will likely lead to trade levels of about 2.70-2.80 BGN and over per share during 2008.

Executive Director of /signed Georgi Lichev/
Elana Agricultural Land Opportunity Fund REIT