



**ELANA AGRICULTURAL LAND
OPPORTUNITY FUND REIT**

FINANCIAL STATEMENTS

31 December 2008

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ANNUAL ACTIVITY REPORT OF ELANA AGRICULTURAL LAND OPPORTUNITY FUND REIT FOR 2008

1. Systematized information about Elana Agricultural Land Opportunity Fund REIT (the Fund). Main counterparties.

1.1. Fund information

The Fund was registered in Sofia City Court on 7 April 2007 and has been entered into the Court's Commercial Register under company case No 3781/2005, batch No 92550, volume 1208, register I, page 116. The Fund's registered office and principal place of business is 4 Kuzman Shapkarev St, Sofia. The Fund has been established with share capital amounting to BGN 500,000. The Fund's capital has subsequently been increased twice and by the end of 2008 the Fund has issued a total number of 59,715,885 shares, while the actual available capital amounts to approximately BGN 73.2 million. Elana Agricultural Land Opportunity Fund REIT is the biggest company in Bulgaria investing in agricultural land. In August 2007 the Company issued three-year unsecured bonds amounting to EUR 10,000,000 at annual interest of 7% with interest payments twice a year.

The Fund has one-tier system of management. The Board of directors consists of the following members:

Strahil Nikolov Vidinov, Member and Chairman of the Board of directors;
Andrei Valerievich Kruglihin, Member of the Board of directors;
Stefan Georgiev Stefanov, Member of the Board of directors;
Vasil Ivanov Vasilev, Member of the Board of directors;
Stoyan Liubomirov Malkochev, Member of the Board of directors and Executive director.

As of the present report's preparation date the Procurator Georgi Petrov Lichev, elected by the Board of directors on 30 June 2008, has been dismissed following a decision of the Board of directors entered into the Commercial Register of the Registry Agency to the Ministry of Justice. As of the present report's preparation date a new Procurator has not been elected.

Special purpose legislation governing the Fund's activity includes the Special Investment Purpose Companies Act and the Public Offering of Securities Act. The Fund is subject to regulation from the Financial Supervision Commission (FSC) on the basis of these acts. The Company has received license No 370 for performance of activity following a FSC decision dated 1 June 2005. It has been established for a 7-year term.

1.2. Fund's main counterparties

Elana Agricultural Land Opportunity Fund REIT performs its activity in cooperation with the following main counterparties:

- Servicing companies

a) On 13 March 2009 by means of a notary invitation the servicing company Elana Property Management AD was notified of an established invalidity of the contract for activity service,

concluded in 2005 on account of breached provisions of article 114 of the Public Offering of Securities Act. With the same notification, on the grounds of article 55, paragraph 1 of the Obligations and Contracts Act the Fund has demanded reimbursement of the paid contract considerations as well as the handing over of all documentation and possessions of the Fund.

Elana Property Management AD, 49 Bulgaria Blvd, Sofia; tel: + 359 (2) 81 000 89; fax: + 359 (2) 9 581 523.

b) Following a decision of the Board of directors and an approval by the Financial Supervision Commission a second servicing company, Agromanagement AD has been selected. In connection with the established invalidity of the agreement with Elana Property Management AD the entire activity service has been assigned to Agromanagement AD under more favorable terms to the assignor than those of the agreement from 2005.

Agromanagement AD, registered office and principal place of activity at 4 Dimitar Hadzhikotsev St, Floor 2, Lozenetz District, Sofia 1421 and mailing address at 32 Zlaten Rog St, Floor 8, Sofia; UIN 200549517; represented by Boiko Mladenov – Executive Director

- Depository bank

The Company's depository bank is UniCredit Bulbank AD with registered office and principal place of activity at 7 Sveta Nedelia Square, Sofia, Sofia Municipality; tel: + 359 (2) 923 2422, + 359 (2) 923 2994/5, fax: + 359 (2) 9877 464.

1.3 Expert valuers

In execution of the provisions of articles 19 and 20 of the Special Investment Purpose Companies Act the Fund has concluded agreements and/or has assigned the acquired real estate revaluation to the following independent expert valuers:

- Values and Partnership OOD, with registered office and principal place of activity in Ilinden housing complex, Block 54, Entrance G, Krasna poliana District, Sofia; registered with Certificate issued by the Ministry of Justice, Registry Agency, No 20081113093228/13.11.2008 under company case 3820/2002, UIN 130918848;
- Iavlana Impact OOD, with registered office and principal place of activity at 15B Vrabcha St, Floor 1, Sofia; registered in 2002;
- Ivela Invest EOOD, with registered office and principal place of activity at 48 Vasil Aprilov St, Pleven, Bulgaria; registered with decision of the Company Department of Pleven County Court, under company case No 128/2006, UIN 14661817;
- Hitpress OOD, registered office and principal place of activity at 1 Rayko Daskalov Square, Entrance B, Floor 2, Apartment 18, Sofia, Bulgaria, registered with decision of the Company Department of Sofia City Court under company case No 13305/2004, UIN 131342985;
- ATrend EOOD, established in 1997 in Varna and entered in the Commercial Register of Varna County Court under company case No 4006/1997;
- Colliers International EOOD, registered under company case No 4061/1996 in the registers of Sofia City Court.

1.4 Registered auditor

The auditor for 2008 selected at the last General shareholders' meeting was Grant Thornton OOD, with registered office and principal place of activity at 54 William Gladstone St, Floor 3, Sofia 1000, entered in the registers of Sofia City Court under company case No 9558/1995, UIN 831716285, reregistered as of 15 August 2008 in the Commercial Register of the Registry Agency to the Ministry of Justice with UIN 831716285, represented by Mariy Georgiev Apostolov – Manager. Grant Thornton is a member of the Institute of Certified Public Accountants (ICPA). Grant Thornton is under registration number 32 in the ICPA's registered audit companies list.

For the previous years Elana Agricultural Land Opportunity Fund REIT's auditor has been Deloitte Audit OOD, with registered office and principal place of activity at 103 Alexander Stamboliiski Blvd, Sofia Towers (mall of Sofia), Sofia 1303, entered in the registers of Sofia City Court under company case No 10638/1996, UIN 121145199, represented by Borislav Stratev – Manager. Deloitte Audit OOD is a member of the Institute of Certified Public Accountants (ICPA) in Bulgaria. Deloitte Audit OOD is under registration number 33 in the ICPA's registered audit companies list.

The Fund does not own shares of its servicing company.

2. Investment goals and restrictions

- **Scope of business**

Elana Agricultural Land Opportunity Fund REIT's scope of business is investment of cash funds raised through securities issues in agricultural land. The Fund's main activities include the organization of the land purchase, its lease, the gradual concentration and consolidation of the agricultural land portfolio and its subsequent sale in 2011 and 212.

- **Main goal**

In accordance with the statute of Elana Agricultural Land Opportunity Fund REIT the main goal of the Company's investment activities is directed towards appreciation of the Company's shares and dividend payments to the shareholders while maintaining and increasing the amount of equity.

- **Investment restrictions**

Elana Agricultural Land Opportunity Fund REIT acquires solely agricultural land and does not securitize other types of real estate. In compliance with the provisions of the Special Investment Purpose Companies Act the Company may not acquire rights of property and other (restricted) real rights over real estate located outside the territory of the Republic of Bulgaria. The Company also may not acquire real rights over real estate that is subject to legal disputes.

At the General shareholders' meeting held on 30 June 2008 the Company's shareholders accepted the Board of directors' proposal for an amendment in the Company's statute in accordance with which the amount of the investments in agricultural land purchased for the purpose of change of designation may not exceed 10% of the book value of the Company's assets as at the end of each financial year and also may not exceed 5 million Euro.

In compliance with the Special Investment Purpose Companies Act the temporarily available cash funds may be invested solely in:

- securities issued or guaranteed by the Bulgarian state and bank deposits;
- mortgage bonds issued in compliance with and under the conditions of the Mortgage Bonds Act but amounting to no more than 10% of the Company's assets.

In compliance with the Special Investment Purpose Companies Act the Company may also invest up to 10% of its capital in one or more servicing companies.

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

The criteria for agricultural lands selection and the Fund's price policy are incorporated in detailed rules for purchase of agricultural lands, in accordance with which agricultural land in Bulgaria for the needs of the Fund is classified into 5 price classes. Various land prices from the 1st to the 10th category are defined in each price class, which on their part, are divided into three sub-classes according to the size of the relevant parcel (up to 10 decares, between 10 and 20 decares and over 20 decares).

The Fund's price policy is revised and corrected at the end of each quarter or in the event of changes in agricultural land market levels which is aimed at maintaining the Fund's competitiveness.

The Fund's price policy for each territory, in which the Fund buys land, is a consequence of a combination of the following main criteria:

Acquisition price

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

Quality of the agricultural land

The Fund buys only agricultural lands which are suitable for cultivation of agricultural cultures (wheat, maize, barley, sunflower, rapeseed and others). The acquired agricultural 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 or expected rental rates for the relevant parcel of agricultural land are obligatorily taken into account at the selection of specific parcels for purchase and when determining the acquisition price.

Possibilities for concentration

Concentrated agricultural land within a territory is significantly more sought after by agricultural manufacturers, which increases the level of its rental rate, respectively its market price. Higher acquisition prices are determined for territories in which the Fund has achieved or believes to be able to achieve concentration of land, which prices, on their part, increase the amount of land acquired in such type of territories.

Possibilities for consolidation

Due to the great fragmentation of land in Bulgaria, larger parcels of land have higher market

prices. The Fund's pricing policy takes into account the possibilities for natural consolidation of already bought land or new parcels pending purchase.

Geographic location

The Fund acquires agricultural lands only in Northern Bulgaria (chiefly in the Danube Plain and the Dobrudzha region) and in 3 areas of Southeastern Bulgaria (Burgas, Haskovo and Yambol). The Fund's strategy is to allocate its portfolio in areas where the Fund will strive to concentrate its lands or in areas with strong investment interest. The goal is lands in these areas to be subsequently traded for lands in areas where the Fund will concentrate its portfolio.

- **Acquisition of agricultural land for the purpose of change of designation**

In 2006 the Fund's Board of directors decided to invest part of the temporarily available cash funds in agricultural land for change of designation and subsequent sale. These investments were planned to be to an amount and time period which would not hinder investments in arable agricultural land. For the period 2006 – 2007 the Fund acquired about 270 decares of agricultural land around Sofia for change of designation and subsequent sale by the end of 2007. The delay in the approval of the amendments to the General Urban Development Plan of Sofia Municipality has hindered their sale by the end of 2007. In 2008 the Fund has sold 141 decares of the agricultural land for change of designation and has realized revenue from the sale of agricultural land amounting to 15,174 T BGN. As of the present report's preparation date 183 decares of agricultural land are undergoing change of designation. This land has been included in the new General Urban Development Plan of Sofia. The plan is expected to be accepted by the half of 2009. Management has taken all necessary actions for the sale of these properties by the end of 2009.

- **Maximum permissible amount of Fund management expenses**

In accordance with article 60 of the Fund's Statute, the maximum permissible amount of its management and servicing expenses, including payments to the servicing company, the members of the Board of directors and employees, the registered auditor, valuers, depository bank and others is 8% of the carrying amount of the Fund's assets. In the old activity reports for the three financial years 2005, 2006 and 2007 the average management and servicing expenses of the Fund amounted to about 3% on the basis of revaluated assets. After the General shareholders' meeting held on 30 June 2008 the new Board of directors set to determine the actual expenses/managed assets ratio. Fund management expenses taken as a ratio to managed instead of revaluated assets for each year is as follows: 2005 – 2.17%; 2006 – 4.60%; 2007 – 6.70%; 2008 – 6.44%. The Board of directors has taken the necessary measures for 2009 and the following years to limit these expenses to 3% of the assets' carrying amount.

- **Restrictions regarding sources of financing**

The Company's Statute does not contain any provisions about capital changes that are more restrictive than the provisions set in the Commercial Act. In compliance with the law and the Statute, the capital shall be increased through issues of new shares or through the conversion of bonds into shares which were issued as convertible. A decision for capital increase shall be taken by the General shareholders' meeting. Pursuant to articles 43 and 44 of the Company's Statute, the Board of Directors is empowered within a period of up to 5 years from the entry of Elana Agricultural Land Opportunity Fund REIT into the Commercial Register of the Court to

take decisions for capital increase of up to BGN 120,000,000 through the issue of new shares, as well as for the issue of bonds (including convertible bonds) to the maximum amount of BGN 60,000,000. Pursuant to article 21, paragraph 2 of the Special Investment Purpose Companies Act the Company may use bank loans for acquisition and putting into operation of the assets for securitization and may use bank loans up to 20% of the assets' carrying amount for payment of interest if the loan's term is not longer than 12 months.

3. Information about the Fund's principal activity from its establishment until 31 December 2008 and during 2008

As of 31 December 2008 Elana Agricultural Land Opportunity Fund REIT has invested a total amount of BGN 84,325,415 in agricultural land as follows:

Total investments in arable agricultural land for the period 2005 – 2008:

Indicators		As of 31.12.2008	As of 31.12.2007	As of 31.12.2006	As of 31.1.2005
Total acquired land at year end (cumulative)	decares	293,172	251,167	143,790	20,700
Acquired during the year	decares	42,735	107,413	123,090	20,700
Sold during the year	decares	730	36	-	-
Average acquisition price during the year	BGN/decare	292	238	188	160
Average acquisition price (cumulative)	BGN/decare	219	207	184	160
Revaluated market price at year end per decare	BGN/decare	-	-	-	-
Investments during the year	BGN	12,462,164	25,581,115	23,093,912	3,302,000
Carrying amount of sold land during the year	BGN	153,322	7,013	-	-
Total investments at year end (cumulative)	BGN	64,278,856	51,970,014	26,395,912	3,302,000

Investments in other agricultural land (for change of designation) for the period 2005 – 2008:

Indicators		As of 31.12.2008	As of 31.12.2007	As of 31.12.2006	As of 31.1.2005
Total acquired land at year end (cumulative)	decares	183	271	188	-
Project Kambanite	decares	183	183	173	-
Project Detelinata	decares	-	41	16	-
Project Elin Pelin	decares	-	47	-	-
Acquired land during the year	decares	54	87	188	-
Project Kambanite	decares	-	15	173	-
Project Detelinata	decares	-	26	16	-
Project Elin Pelin	decares	54	47	-	-
Sold land during the year	decares	142	5	-	-
Project Kambanite	decares	-	5	-	-
Project Detelinata	decares	41	-	-	-
Project Elin Pelin	decares	101	-	-	-
Average acquisition price during the year	BGN/decare	14,757	28,840	99,340	
Project Kambanite	BGN/decare	-	188,722	98,234	-
Project Detelinata	BGN/decare	-	152,484	111,679	-
Project Elin Pelin	BGN/decare	32,985	24,624	-	-
Average acquisition price (cumulative)	BGN/decare	109,792	95,777	99,340	
Project Kambanite	BGN/decare	109,792	104,866	98,234	-
Project Detelinata	BGN/decare	-	137,058	111,679	-
Project Elin Pelin	BGN/decare	-	24,624	-	-
Investments during the year	BGN	2,694,432	7,806,975	18,712,299	-
Project Kambanite	BGN	899,557	2,758,553	16,981,274	-
Project Detelinata	BGN	28,773	3,888,355	1,731,025	-
Project Elin Pelin	BGN	1,766,102	1,160,067	-	-
Carrying amount of sold land during the year	BGN	8,574,322	592,824	-	-
Project Kambanite	BGN	-	592,824	-	-
Project Detelinata	BGN	5,648,152	-	-	-
Project Elin Pelin	BGN	2,926,170	-	-	-
Total investments at year end (cumulative)	BGN	20,046,560	25,926,450	18,712,299	-
Project Kambanite	BGN	20,046,560	19,147,003	16,981,274	-
Project Detelinata	BGN	-	5,619,379	1,731,025	-
Project Elin Pelin	BGN	-	1,160,067	-	-

Total investments in agricultural land for the period 2005 – 2008:

Indicators		As of 31.12.2008	As of 31.12.2007	As of 31.12.2006	As of 31.1.2005
Investments during the year	BGN	15,156,595	33,388,090	41,806,211	3,302,000
Carrying amount of sold land during the year	BGN	8,727,643	599,837	-	-
Total investments at year end (cumulative)	BGN	84,325,415	77,896,464	45,108,211	3,302,000
Fair value of arable agricultural land	BGN	-	80,427,000	34,509,600	4,149,000
Carrying amount of arable agricultural land at year end	BGN	64,278,856	51,970,014	26,395,912	3,302,000
Fair value of agricultural land acquired for the purpose of change of designation	BGN	-	60,705,379	22,691,401	-
Carrying amount of agricultural land acquired for the purpose of change of designation	BGN	20,046,560	25,926,450	18,712,299	-
Carrying amount of Investment property and Assets held for sale	BGN	84,325,415	77,896,464	45,108,211	3,302,000

Dynamics of investments in arable agricultural land for the period 2005 – 2008:

Month	Purchased land during the month	Acquisition price during the month	Total acquired land (cumulative)	Total investments	Acquisition price
	decares	BGN/decare	decares	BGN	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	131,400	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
January 2008	3,300	257	254,500	52,681,500	207
February 2008	5,000	253	259,500	53,976,000	208
March 2008	4,600	244	264,100	55,196,900	209
April 2008	7,000	278	271,100	56,659,900	209
May 2008	4,600	269	275,700	58,172,700	211
June 2008	3,300	285	279,000	59,148,000	212
July 2008	3,400	291	282,400	60,151,200	213
August 2008	4,400	365	286,800	61,375,200	214
September 2008	4,800	368	291,600	62,985,600	216
October 2008	1,400	380	293,000	63,874,000	218
November 2008	172	359	293,172	63,911,430	218
December 2008	-	-	293,172	64,278,862	219

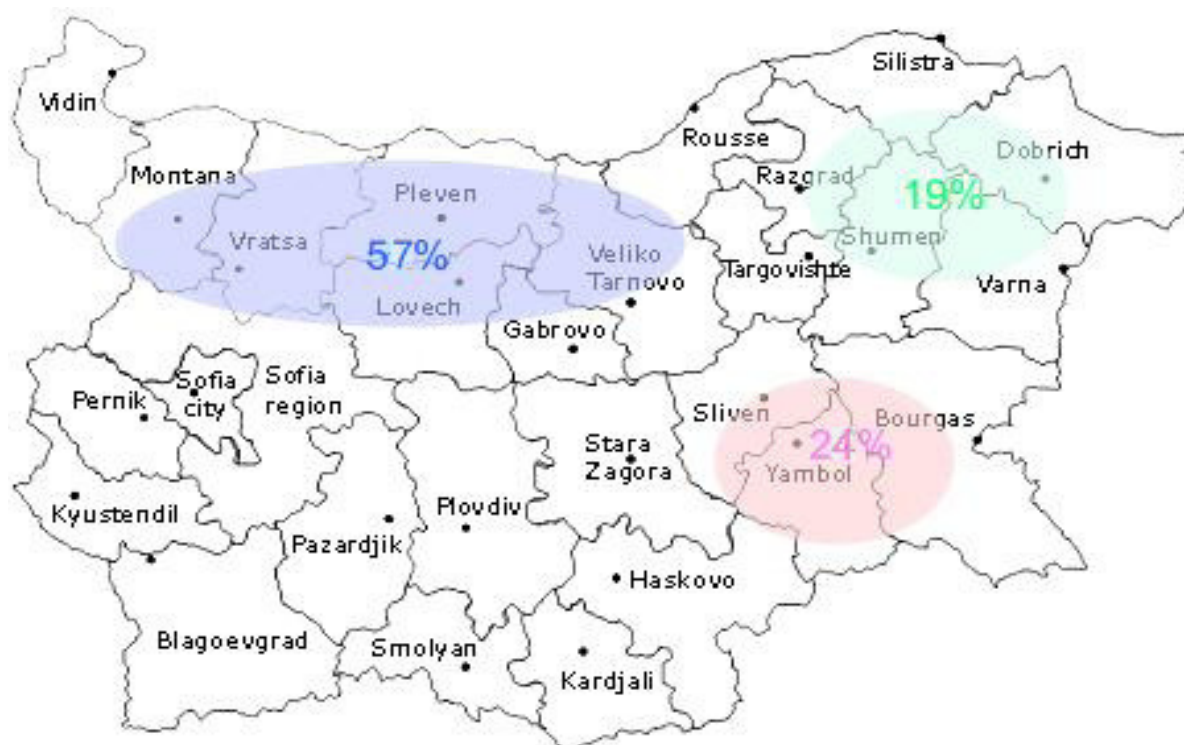
Allocation of investments in arable agricultural land by areas as of 31 December 2008:

Area	Owned land in decares	Share	Acquisition cost	Average acquisition price per decare in BGN
Pleven	43,259	14.76%	9,147,648	211
Yambol	37,484	12.79%	8,695,332	232
Vidin	26,697	9.11%	4,826,495	181
Veliko Tarnovo	25,317	8.64%	5,282,043	209
Vratsa	21,463	7.32%	4,801,388	224
Lovech	18,774	6.40%	3,665,020	195
Targovishte	18,734	6.39%	3,659,647	195
Burgas	15,117	5.16%	3,725,309	246
Montana	14,422	4.92%	3,046,749	211
Haskovo	13,339	4.55%	2,645,756	198
Dobrich	10,029	3.42%	3,315,281	331
Razgrad	9,816	3.35%	2,504,356	255
Russe	9,668	3.30%	1,978,036	205
Shumen	9,642	3.29%	1,846,278	191
Gabrovo	6,763	2.31%	1,242,753	184
Stara Zagora	4,830	1.65%	979,622	203
Silistra	4,678	1.60%	1,079,048	231
Varna	2,494	0.85%	1,724,979	692
Sliven	373	0.13%	78,429	210
Pazardzhik	194	0.07%	38,154	197
Plovdiv	50	0.02%	10,107	203
Sofia region	27	0.01%	4,415	162
Total	293,172	100.00%	64,296,845	219

Allocation of investments in arable agricultural land by categories as of 31 December 2008:

Category	Area (decares)	Share (%)
I-II	10,700	4%
III-V	240,300	82%
VI	28,100	10%
VII-X	14,100	5%
Total	293,200	100%

Allocation of investments in arable agricultural land by region as of 31 December 2008:



It can be seen from the presented activity spreadsheets that as of 31 December 2008 the Fund owned approximately 293,172 decares of agricultural land acquired at an average price of BGN 219 as well as 183 decares of agricultural land acquired for the purpose of change in designation. Solely for 2008 the Fund has invested 13,362 T BGN, BGN 12,462 million of which have been used for the purchase of 42,735 decares of agricultural land at an average acquisition price of BGN 292 including all notary expenses. Apart from that an additional amount of 900 T BGN has been invested in the already purchased 183 decares of agricultural land in connection with its change of designation. The market share of Elana Agricultural Land Opportunity Fund REIT is the highest among the rest special investment purpose companies which invest in arable agricultural land. Compared to the volume of the national market, the Fund's market share is also considerable.

	2008	2007	2006	2005	2004	2003	2002
Sold land (decares)		1,061,000	900,000	560,000	450,000	350,000	350,000
Market share of the Fund		10%	13%	8%	-	-	-

An advantage of Elana Agricultural Land Opportunity Fund REIT is also its own network of regional representatives in Northern and Southeastern Bulgaria who buy agricultural land for the Fund directly from local owners. This network of regional representatives reduces considerably the Fund's transaction costs allowing it to maintain the lowest acquisition prices compared to its competitors.

4. Management of the acquired agricultural land

4.1. Renting out/leasing of purchased properties

More than 60% of the land, purchased by the Fund, is cultivated by local farmers, and as at the time of the purchase most of these rental relations are not formalized by an explicit agreement between the farmer and the owner selling the property to the Fund. The Fund does not buy agricultural land with an existing rental/leasing agreement under conditions which are unfavorable for the owner or considerably deviating from the market levels at the time of the purchase. The Fund's servicing company determines the pricing policy and fixes a minimum level of rents for each agricultural 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 the land purchase. The Fund maintains and updates a database of information on the agricultural producers in all territories where it has acquired properties. Tenants/lessees are selected on the basis of the analysis of the collected information and are offered to cultivate the agricultural lands purchased in the relevant territory at the beginning of the respective agricultural season. The selection is based on a number of factors including: offered rental rate, term of contract, opportunities for subsequent rental of other purchased properties, risk of non-payment of the due rent and others. The Fund concludes mainly rental agreements for a period of 4 years with a 20% annual increase of rental rates. When the Fund considers that these agreements would not be profitable in the long term then it signs rental agreements for 1 year. The Company maintains an electronic database of the rental status of each purchased property which is updated on a monthly basis. The Fund is assisted in its rental activity by District Coordinators by places.

The District Coordinators' main obligations include identification of potential tenant farmers, negotiations, provision of the required documents and conclusion of the rental agreements. For the agricultural year 2008/2009 Elana Agricultural Land Opportunity Fund REIT has signed a contract with Bulgarian Export Insurance Agency EAD for the insurance of receivables from concluded rental agreements for the agricultural year 2007/2008. The expected changes in income from principal activity for the following years are based on increasing rental payments as well as the planned sale in 2009 of agricultural land for change of designation. Receivables from rentals have been forecast on the basis of 20% annual rent increase for the period 2008 – 2011 in accordance with the concluded 4-year rental agreements. The Fund expects the ratio of rented out land to rent from concluded agreements in relation with total purchased land to increase gradually to 90% as of 2011.

The table below presents the results from the acquired agricultural land's rental/lease as well as the forecasts of the Fund's management for the expected income from rental activity for the present agricultural year and the following years until 2010/2011 inclusive.

Agricultural season	Year of due rental payments	Total acquired land	Rented-out land	Share (%)	Average rent (BGN)	Expected income (thousand BGN)
2005/2006	2006	20,700	2,898	14%	7	19
2006/2007	2007	143,000	70,070	49%	9	628
2007/2008	2008	251,000	170,680	68%	11	1,860
2008/2009**	2009	293,000	231,470	79%	16	3,704
2009/2010**	2010	321,000	272,850	85%	19	5,184
2010/2011**	2011	401,000	360,900	90%	24	8,662

* Total acquired land as of 31 December of the year in which the agricultural season begins;

** Data for the period 2009 – 2011 is forecasted and indicative.

4.2. Land concentration and consolidation activities

The Fund's strategy and activities for the concentration and consolidation of acquired land may be divided into the following 4 stages:

June 2005 – December 2006

The Fund buys land in almost all regions of the Danube Plain and Dobrudzha: Vidin, Vratza, Montana, Pleven, Lovech, Russe, Shumen, Targovishte, Veliko Tarnovo, Silistra and Dobrich as well as in the territory of the districts of Burgas, Yambol and Haskovo (Southeastern Bulgaria). The purpose is to accumulate a critical land volume of about 200,000 decares. Since January 2007 the Fund has initiated the second stage of the realization of the acquired land concentration and consolidation as follows:

January 2007 – December 2007

A new pricing policy was introduced on 1 January 2007 aiming to achieve a natural concentration, based on price factors, of purchases in particular areas by dividing the land within the country's territory into five price classes. As of December 2007 the Fund has acquired land in about 1,500 territories while 92% of the land is located in 850 territories.

January 2008 – December 2008

By the end of this period the Fund intends to have designated not more than 400 territories as priority territories on the basis of a combination of various criteria where the Fund will strive to own concentrated land of about 1,000 decares per territory.

January 2009 – December 2010

During this period the Fund plans to take active steps to exchange the land purchased outside the designated priority territories for land in priority territories. Along with this process participation in consolidation projects in the Fund's priority territories is planned to expand as much as possible the land concentrated in one territory.

5. Systematized information from the Fund's financial statements for 2008

Note: all amounts are in thousand BGN

Fund's balance sheet as of 31 December 2008:

	As of 31.12.2008
ASSETS	
NON-CURRENT	
Investment property	62,842
Plant and equipment	18
Intangible assets	2
CURRENT	
Assets held for sale	21,485
Cash and cash equivalents	5,456
Trade and other receivables	1,443
Advance payments	622
TOTAL ASSETS	<u>91,868</u>
LIABILITIES	
NON-CURRENT	
Bond issues	19,558
Finance lease liabilities	5
CURRENT	
Interest on bond issues	563
Current payables	753
Finance lease liabilities	5
Deferred income	8
TOTAL LIABILITIES	<u>20,892</u>
NET ASSETS	<u>70,976</u>
EQUITY	
Share capital	59,716
Share premium	13,453
Retained earnings / (Accumulated loss)	(6,424)
Profit / (Loss) for the year	4,231
TOTAL EQUITY	<u>70,976</u>

Fund's income statement for 2008:

	2008
Gains from sale of investment property	15,173
Rental income from investment property	3,318
Interest income	213
Other income	69
Gains from investment property revaluation	-
TOTAL INCOME	<u>18,773</u>
Carrying amount of sold investment property	(8,726)
Hired services expenses	(4,025)
Interest expenses	(1,491)
Employee benefits expenses	(165)
Depreciation and amortization	(27)
Cost of materials	(13)
Expenses from transactions with financial assets held for trading, net	-
Other expenses, net	(95)
TOTAL EXPENSES	<u>(14,542)</u>
Profit / (Loss) before tax	4,231
Tax	<u>-</u>
PROFIT / (LOSS) FOR THE YEAR	<u><u>4,231</u></u>

A detailed description of the Fund's trade and other receivables as of 31 December 2008 is presented below:

	As of 31.12.2008
Receivables under rental agreements for 2008/2009	<u>768</u>
Receivables under rental agreements for 2007/2008	<u>650</u>
Receivables from regional representatives	<u>560</u>
Interest receivables	<u>20</u>
Other receivables	<u>6</u>
Advance payments under concluded rental agreements	<u>59</u>
Advance payments to employees	<u>2</u>
Total	<u><u>2,065</u></u>

A detailed description of the Fund's current trade payables as of 31 December 2008 is presented below:

	As of 31.12.2008
Payables to servicing company	569
Payables to regional representatives	81
Payables to suppliers	72
Payables to employees	24
Finance lease liabilities	5
Payables to social security institutions	1
Other liabilities	6
Tax liabilities	-
Total	758

A detailed description of hired services expenses from the income statement for 2008 is presented below:

	As of 31.12.2008
Servicing company consideration	3,135
Charges and taxes under agreements for the sale of property	384
Charges and fees for the conclusion of rental agreements	81
Rents and maintenance	62
Licensed valuers remuneration	58
Audit fees	58
Legal fees	39
Advertisement	37
Document digitalization	33
Insurance costs	21
Internal audit fees	20
Postal services expenses	13
Expenses for the establishment of a mortgage	12
Charges of bondholders' depository bank	11
Fees for the management of available financial assets	8
Fees (Central Depository, Financial Supervision Commission, Bulgarian Stock Exchange, etc.)	8
Membership fee for the Bulgarian Association of Agricultural Land Owners	5
Court charges	5
Advisory services	4
Bond issue costs	-
Credit rating charges	-
Other hired services expenses	31
Total	4,025

Detailed information about the Fund's financial position is presented in the financial statements and the accompanying notes.

6. Other relevant information disclosed in compliance with appendix No 10 to Regulation No 2 on Public offering of securities prospectuses and disclosure of information by public entities and other securities issuers (as of 17 September 2003)

- **Related party transactions**

In the sense of paragraph 1, item 12 of the Public Offering of Securities Act the term “related parties” includes the following:

- (a) parties, one of which controls the other party or its subsidiary;
- (b) parties whose activities are controlled by another party;
- (c) parties that jointly control a third party;
- (d) spouses, lineal relatives up to any degree and collateral relatives up to the fourth degree of consanguinity, and relatives by marriage up to the fourth degree of affinity inclusive.

Currently, the Fund has not entered into agreements for purchase or sale of real estate property or other assets with the participation of “related parties” and has not received offers for entering into such agreements.

- **Information on transactions other than the ordinary activities of the Fund or transactions conducted under circumstances materially differing from the current market conditions**

No transactions other than the ordinary activities of the Fund or transactions conducted under circumstances materially differing from the current market conditions have been conducted in 2008.

- **Information about off-balance sheet transactions**

No off-balance sheet transactions have been conducted in 2008.

- **Information about share participations of the Fund and its primary investments in Bulgaria and abroad**

Elana Agricultural Land Opportunity Fund REIT does not own shares in other entities. In compliance with article 4, paragraph 4 of the Special Investment Purpose Companies Act, “Real estate property acquired by special investment purpose companies must be situated in Bulgaria”. Due to the nature of the Fund's activities, the imperative text of article 4, paragraph 4 of the Special Investment Purpose Companies Act prohibits activities outside the Republic of Bulgaria. No such activities were therefore conducted by Elana Agricultural Land Opportunity Fund REIT and will not be conducted until this legal interdict is abrogated. Detailed information about the Fund's activities in Bulgaria is presented in section 3 of the current activity report.

- **Information about agreements in which the Fund is in the capacity of borrower, loan agreements with explicitly stated terms and obligations, including payment deadlines, as well as information about granted guarantees and other assumed obligations**

In August 2007 the Fund successfully placed an unsecured bond issue with a total amount of EUR 10,000,000. The issue has a 3-year maturity at annual fixed rate of 7% paid twice a year. The borrowed funds are used in compliance with the Fund's investment policy.

In 2008 a bank loan amounting to EUR 4,000,000 at interest rate of one-month EURIBOR plus 2.3% has been arranged. The loan has been repaid by the end of the year. The accrued and paid interest for this period amounted to 120 T BGN.

- **Information about loans granted by the Fund**

The Fund has not granted loans and has not guaranteed loans granted to third parties.

- **Information about utilization of funds from new securities issues during the reporting period**

The Fund has not issued new shares in 2007. An unsecured bond issue amounting to EUR 10,000,000 has been placed. The borrowed funds are used for the realization of the Fund's investment policy for 2007 and 2008.

- **Comparative analysis of the financial results presented in the financial statements for the year and estimates published earlier**

According to the Fund's forecasts for 2008, 60,000 to 80,000 decares of arable agricultural land had been planned for acquisition. The acquired 41,972 decares at an average price of BGN 292 including all transaction costs are below planned purchases because since the end of September the Fund reduced its land acquisitions as prices became unreasonably high and inconsistent with market conditions. As of 31 December 2006 the Fund planned to sell the agricultural land in the Sofia region, purchased for the purpose of change of designation by the end of 2007. A delay in the final approval of amendments to the Sofia General Site Development Plan affected adversely the urban planning procedures relevant to the purchased land and its sale. The sale of the land purchased for the purpose of change of designation in the region of "Detelina", road junction "Botevgradsko shose" was realized in 2008.

Elana Agricultural Land Opportunity Fund REIT's share price for the reporting period dropped to BGN 0.89 from BGN 2.30 – a decrease of 61% while the 2007 activity report forecasts were for an increase of 30% and price levels of BGN 2.80 – 3.00. It should be noted that the Fund's share price decreased by another 12% from the beginning of the 2009 until the present report's preparation date as a result of the world financial crisis and the withdrawal of foreign investors from the Bulgarian Stock Exchange.

- **Analysis and assessment of the financial resources management policy. Evaluation of the ability of the Fund to meet its obligations, of eventual threats and measures taken or about to be taken in this regard**

As of 31 December 2008 the Fund has successfully placed an unsecured bond issue having a 3-year maturity at annual fixed rate of 7%, paid twice a year. The funds needed for paying off of the impending interest payments on the bonds in 2009 will be covered entirely by the Fund's own resources and/or by rental proceedings and by proceedings from expected sales of land

purchased for the purpose of change in designation.

As of the present report's preparation date the Fund does not have any other obligations, other than the above stated, and does not consider the occurrence of difficulties in meeting its obligations probable.

- **Assessment of opportunities for realization of investment plans while considering the amount of available funds and possible changes in the structure of financing of the activities**

The Fund intends to finance the planned investments in 40,000 to 60,000 decares of arable agricultural land with its own resources, including the available funds amounting to approximately BGN 5.5 million as of 31 December 2008 and expected revenue from the sale of land purchased for the purpose of change of designation.

- **Information about changes in the main management principles of the Fund and its economic group that have occurred during the reporting period**

No changes in the Fund's main management principles have occurred in the reporting period.

- **Information about the main characteristics of the Fund's internal control system and risk management system implemented in the process of the financial statements' preparation**

Following a decision of the General shareholders' meeting held on 30 June 2008 DFK Anda Consulting OOD has been chosen for the Fund's internal auditor. Pursuant to the terms of the agreement with the servicing company the Fund's financial statements have been prepared and signed by Elana Property Management AD in violation of the Accountancy Act (Elana Property Management AD is not a specialized accounting company as required in the Financial Statements Preparers Act).

- **Information about changes in managing bodies during the reporting period**

At the General shareholders' meeting held on 30 June 2008 new members of the Board of Directors were elected, namely Stefan Georgiev Stefanov, Vasil Ivanov Vasilev and Stoyan Liubomirov Malkochev, while Georgi Petrov Lichev, Petar Stoyanov Bozhkov and Georgi Valentinov Malinov were dismissed. Georgi Petrov Lichev was elected Procurator of the Fund following a decision of the Board of Directors. As of the present report's preparation date Georgi Petrov Lichev has been dismissed from this position.

- **Information about remunerations of the Board of directors' members paid by the Fund**

Since the Fund's establishment a total amount of BGN 46,800 of salaries payable to the Board of directors' members have been accounted, BGN 8,860.50 of which have been paid as of 31 December 2007. Following a protocol decision of the Board of directors dated 15 May 2007 the members of the Board of Directors gave up their right to receive the remuneration set by the General shareholders' meeting. Thus remunerations are accounted for and accrued only for the period from the last General shareholders' meeting held on 14 June 2007 until 31 December 2007. Pursuant to article 50 of the Fund's Statute each member of the Board of directors

receives fixed monthly remuneration no greater than 10 times the current minimum wage in Bulgaria. At the regular General shareholders' meeting it has been agreed members of the Board of directors to receive monthly remuneration amounting to 10 times the current minimum wage in Bulgaria. Following a decision of the General shareholders' meeting held on 30 June 2008 the remuneration of the members of the Board of directors was determined to be 8 times the current minimum wage in Bulgaria. Remuneration of the members of the Board of directors due for 2008 has been paid as of year end.

- **Information about Fund's shares owned by members of the Board of directors**

As of the present report's preparation date members of the Board of directors did not own Fund's shares with the exception of Stefan Georgiev Stefanov, who as of 31 December 2008 owned 1,962 shares and as of the present report's preparation date owned 2,962 shares.

- **Information about obligations, known to the Fund (including those that have occurred after closing of accounts for the reporting year), the result of which is reflected in probable changes in the shareholders and bondholders structure**

No obligations, the result of which is reflected in probable future changes in the shareholders and bondholders structure, are known to the Fund

- **Information about pending litigations, administrative or arbitration proceedings regarding receivables or payables of the Fund amounting to no less than 10% of its equity**

As of the present report's preparation date the Fund was party in pending litigations, administrative or arbitration proceedings regarding receivables or payables of the Fund to an amount as follows:

Type of legal proceedings	Number	Amount of the potential loss for the Fund	Amount recovered	Remaining amount to be recovered
1 Proceedings against regional representatives of the Fund that have not reported funds wired to them for purchases of land	2	446,093	63,182	382,911
2 Regional representatives with executive court cases on the basis of issued receiving orders on promissory notes payable to the Fund	3	103,115	26,279	76,836
3 Proceedings for which the Fund is respondent and related proceedings for recovery of amounts paid for property from which the Fund has been suspended	17	222,849	213,065	9,784
4 Executive court cases against debtors under agreements in which the Fund is suspended as a result of presenting documents with fraudulent content or forged documents	2	14,292	5,451	8,841
Total		786,349	307,977	478,372

As of the present report's preparation date the proceedings against the former regional representative Kalina Angelova have been concluded in the Fund's favor in front of the Veliko Tarnovo Appeal Court. The Fund has proceeded to obtain a receiving order.

- **Investor Relations Director**

In compliance with article 116d of the Public Offering of Securities Act, the Board of directors of Elana Agricultural Land Opportunity Fund REIT has appointed on a labour contract Georgi Stoyanov Georgiev Investor Relations Director. Georgi Stoyanov Georgiev has adequate qualification and experience for the fulfilment of his duties; he is not a member of the managing and supervisory body or the procurator of a public company and meets all other requirements of the Public Offering of Securities Act for the position of investor relations director of a public company. In accordance with article 116d of the Public Offering of Securities Act, the main duty of the Investor Relations Director is the implementation of an effective relation between the Fund's Board of directors, on one hand, and its shareholders and investors, on the other. In particular, the Investor Relations Director is in charge of:

(a) providing information about the financial and economic position of the Fund, about general meetings and any other information to which shareholders and investors are entitled according to legislation;

(b) presentation of reports and notifications to the Financial Supervision Commission, Bulgarian Stock Exchange – Sofia AD, and to the Central Depository;

(c) Preparing and archiving the minutes from the meetings of the Board of directors.

Investors may receive additional information about the Fund from the Investor Relations Director every business day from 9 a.m. until 5 p.m. at the following address: 32 Zlaten Rog St, Floor 8, tel.: +359 (2)81 000 86.

On 18 March 2009 the Investor Relations Director filed a request for dismissal. After the expiration of the one-month notice of termination of employment Georgi Stoyanov Georgiev will be dismissed from his current position. The Executive Director has taken the necessary steps to recruit a new Investor Relations Director for the Fund who will be proposed for approval at the upcoming General shareholders' meeting.

7. Information in accordance with article 41, paragraph 1, item 7 of Regulation No 2.

- **Relative share of rented assets to the total amount of securitized assets**

The agricultural year in Bulgaria begins in October and ends in September the following year. More than 90% of the land owned by the Fund is cultivated by local farmers. Upon the purchase of each parcel of land the farmers cultivating the specific parcel are identified. The identification process is time-consuming resulting in a difference in the effectively cultivated area of the parcel and the rented out area for which there are signed agreements. The following table presents the size of rented out land that is being cultivated:

Agricultural years	Accrued in 2008	Paid in 2008	Amount to be paid after 31.12. 2008
2005/2006	1	1	-
2006/2007	28	28	-
2006/2007	0	207	-
2007/2008	2,518	1,868	650
2008/2009	771	3	768
Deferred income	-	8	-
Total	3,318	2,115	1,418

The first subsidies for a unit of land granted by the EU considerably motivate local farmers to formalize their agreements with the land owner. Thus it is expected that for the period from 2008 to 2010 the amount of the leased land under written agreements will differ insignificantly from the effectively cultivated Fund's land by local farmers.

The risk of non-payment of rents for the agricultural 2008/2009 and the following years is insured by the Bulgarian Export Insurance Agency EAD.

- **Information about sale or purchase of a new asset having value greater by 5% than the carrying amount of the securitized assets and information about transactions conducted after the preparation of the annual financial statements**

In 2008 the Fund has not purchased assets with value greater than 5% of the carrying amount of the securitized assets. For the period from 1 January 2009 until the present report's preparation date the Fund also has not purchased assets with value greater than 5% of the carrying amount of the securitized assets.

- **Construction works, repairs and improvements of real estate property**

The Fund's investment policy does not stipulate conducting construction works and repairs to the lands owned by the Fund. Improvements have been made only to the land purchased for the purpose of change of designation. As of the present report's preparation date purchased land for the purpose of change of designation, situated in the territory of the village of Bistritsa, Stolichna Municipality, Pancharevo District is included in the new amendments to the Sofia General Site Development Plan which is expected to be approved by the half of the year. In relation to this the Fund has concluded an agreement with "Brisk Consulting and Services" EOOD amounting to EUR 778,000 for the preparation of detailed site development plans of the owned lands in the territory of the village of Bistritsa, Stolichna Municipality, Pancharevo District. Such activities have not been carried out for the investment property, purchased as arable agricultural land which is planned to be sold in the same condition as on purchase.

- **Relative share of unpaid lease and rental installments to the total amount of receivables from all rental agreements**

As of 31 December 2008 the accrued receivables from rental agreements amount to 3,318 T BGN. As of the present report's preparation date 2,115 T BGN have been paid to the Fund. The share of uncollected receivables as of the present report's preparation date is 34.5% of the total amount of reported revenues from rental agreements as of 31 December 2008. Currently these receivables are being paid to the Fund, which gives one reason to believe that the share of

uncollected receivables to the total amount of receivables will continue to decrease.

8. Current levels of indicators in compliance with Appendix 11 to Regulation No 2 from 17 September 2003 on the Public Offering of Securities Prospectuses and Disclosure of Information by Public Entities and Other Securities Issuers.

- **Equity structure of the Fund**

As of 31 December 2008 the Fund has issued a total of 59,715,885 ordinary dematerialized shares with par value of BGN 1. The Fund's equity has been increased three times from BGN 500,000 to its current amount. Total equity together with premium reserves from issues as of 31 December 2008 amounts to about BGN 73.2 million.

The following table presents the Fund's capital structure from its establishment until 31 December 2008:

Capital structure in thousand BGN	2008	2007	2006	2005
Share capital upon establishment	-	-	-	500
Share capital increase	-	-	39,784	19,432
Share premium	-	-	9,946	3,507
Total share capital and premium	73,169	73,169	73,169	23,439
Issued bonds	-	19,558	-	-
Total loans	19,558	19,558	-	-
Total equity and debt capital	92,727	92,727	73,169	23,439

- **Restrictions on the transfer of securities, such as restrictions on the ownership of securities or necessity of obtaining an approval by the Company or by another shareholder**

Elana Agricultural Land Opportunity Fund REIT's Statute does not stipulate explicit restrictions regarding transfer of securities or necessity of obtaining an approval by the Company or by another shareholder/bondholder.

- **Information about direct and indirect ownership of 5 per cent or more of the voting rights at the General shareholders' meeting**

Shareholder	Number of shares	Relative share
QVT FUND LLP	29,560,880	49.50%
ALLIANZ BULGARIA	9,931,764	16.63%
CREDIT SUISSE SECURITIES	5,011,123	8.39%
Freefloat (owned by more than 1000 shareholders)*	15,212,118	25.47%
Total	59,715,885	100.00%

* Information as of 5 February 2009 from Central Depository AD

- **Information on shareholders with special control rights and description of these rights**

As of the current moment there are no shareholders with special control rights.

- **Control system for exercising vote rights in cases when the Fund's employees are its shareholders and when control is not exercised directly by them**

The Fund does not have a specific control system for exercising vote rights in cases when Fund's employees are its shareholders.

- **Restrictions on vote rights, such as restrictions on vote rights of shareholders with a specific percentage or number of votes, deadlines for exercising vote rights or systems which, with the Fund's cooperation enable financial rights and ownership of shares to be treated separately**

The Fund's Statute does not include such restrictions.

- **Agreements between shareholders that are known to the Fund and that can lead to restrictions in transferring shares or vote rights**

The Fund is not aware of agreements between shareholders that can lead to restrictions in transfers of shares and vote rights.

- **Rules on appointing and dismissing members of the Fund's managing bodies and on amending and expanding the Statute**

In accordance with article 39 of the Fund's Statute the Board of directors is elected by the General shareholders' meeting for a period of 5 (five) years while the members of the first Board of directors were elected for a period of 3 (three) years. The members of the Board of directors can be reelected without restrictions and after the end of the mandate they continue to perform their functions until the election of a new Board of directors by the General shareholders' meeting. The Fund's Statute sets the Board of directors' members as follows: three to nine private individuals and/or legal entities that can be changed by the General shareholders' meeting at any time. Currently, the Board of directors includes 5 persons, 2 of which are independent. In compliance with article 40, paragraph 5 of the Fund's Statute, the term "independent" (which is also in compliance with article 116a, paragraph 2 of the Public Offering of Securities Act) means that the specific member of the Board of directors: is not an employee of the Fund; does not own directly or through related parties 25% or more of the vote rights at the General shareholders' meeting and is not a member of a managing body, procurator or an employee of a legal entity that owns such an amount of vote rights; is not a related party to the Fund; has not entered into long-term trade agreements with the Fund and is not a member of a managing body, procurator or employee of a legal entity that has entered into such agreements with the Fund; is not a related party to another member of the Board of directors.

The provision of article 37, paragraph 2 in relation to article 31, paragraph 4 of the Fund's Statute requires a greater majority than the legislatively determined for the purpose of election and dismissal of members of the Board of directors. In compliance with article 230 of the Commercial Act an ordinary majority of the represented shares is enough for the election and

dismissal of members of the Board of directors while the Fund's Statute requires a majority of $\frac{3}{4}$ of the represented shares. In accordance with article 31, paragraph 1 of the Fund's Statute, amendments and addendums to the Fund's Statute are made by the General shareholders' meeting.

- **Authority of the Company's managing bodies, including the right to take decisions for issue and redemption of Company's shares**

On the basis of article 196, paragraph 1 and article 204, paragraph 3 of the Commercial Act and in compliance with articles 43 and 44 of the Company's Statute, the Board of directors has been empowered for a 5-year term commencing from Elana Agricultural Land Opportunity Fund REIT's entry into the Court's Commercial Register to pass decisions for capital increase of up to BGN 120,000,000 through issue of new shares as well as bond issues (including convertible bonds) with a maximum amount of the bond issue of BGN 60,000,000.

During a capital increase through issue of new shares, excluding the initial mandatory increase of capital, each shareholder has the right to acquire part of the new shares proportional to their share of the capital before the increase. This right may not be restricted or deprived in accordance with article 194, paragraph 4 and article 196, paragraph 3 of the Commercial Act. During a capital increase through issue of new shares, rights in accordance with §1, item 3 of the Public Offering of Securities Act are issued, with one right per one existing share. The ratio between issued rights and new shares is specified in the decision for the capital increase.

The Company's capital may be reduced through cancellation of redeemed shares issued with a buy-back preference. The Company may issue such shares in accordance with articles 15 and 16 of the Statute. The share capital may not be reduced through compulsory buy-back of shares or through buy-back according to article 111, paragraph 5 of the Public Offering of Securities Act.

- **Significant agreements of the Company that cause action, undergo change or are terminated as a result of a change in the control of the Company when a mandatory tender offer is submitted**

The Fund has not concluded agreements that cause action, undergo change or are terminated as a result of a change in the control of the Company when a mandatory tender offer is submitted.

- **Agreements between the Company and its managing bodies or employees for the payment of compensation upon resignation or dismissal with no legal grounds or upon termination of their contracts for reasons connected with a tender offer**

There are no provisions in the management contracts of the Board of directors' members regarding payment of compensation upon resignation or dismissal with no legal grounds or upon termination of their contracts for reasons connected with a tender offer.

9. Activities in relation with the fulfillment of the legislation requirements and in view of the protection of investors' interests

1. Insurance of acquired real estate in compliance with the provision of article 17, paragraph 2 of the Special Investment Purpose Companies Act. At the present time insurance of agricultural land is not offered by any insurance company, of which the Financial Supervision Commission

has been informed in a timely manner.

2. The Fund has signed contracts with servicing companies in compliance with the provision of article 18, paragraph 2 of the Special Investment Purpose Companies Act as follows:

a) Elana Investment AD as of 28 April 2005;

b) Elana Property Management AD as of 15 December 2005. The Company's Executive Director has notified Elana Property Management AD by means of a notary invitation dated 13 March 2009 of an established invalidity of the agreement for activity service, concluded in 2005 on account of breached provisions of article 114 of the Public Offering of Securities Act. With the same notification, on the grounds of article 55, paragraph 1 of the Obligations and Contracts Act the Company has demanded reimbursement of the paid contract considerations as well as the handing over of all documentation and possessions of the Company.

c) Agromanagement AD as of 9 February 2009, to which activity service has been assigned after the established invalidity of the agreement with Elana Property Management AD.

3. Selection of an expert valuer in compliance with the provision of articles 19 and 20 of the Special Investment Purpose Companies Act.

Up to now the fund has signed contracts with 6 independent expert valuers that have revaluated the acquired investment property in compliance with article 19 of the Special Investment Purpose Companies Act. Values and Partnership OOD has revaluated the acquired arable agricultural lands as at the end of 2008; Iavlenu Impact OOD has revaluated the lands purchased for the purpose of change of designation as at the end of 2008; Ivela Invest EOOD and Hitpress OOD have prepared the current evaluations prior to the properties' acquisition as well as the annual revaluations of the purchased arable agricultural land as of 31 December 2005, 31 December 2006, 31 December 2007 and 31 December 2008 (excluding Hitpress OOD); Colliers International EOOD has evaluated the purchased agricultural land for the purpose of change of designation as of 31 December 2006. ATrend EOOD and Ivela Invest EOOD have independently from one another evaluated acquired agricultural land for the purpose of change of designation as of 31 December 2007.

4. Disclosure requirements have been met – quarterly financial statements have been presented in a timely manner to the Financial Supervision Commission and Bulgarian Stock Exchange and the financial statements for 2008 will be presented within 90 days after the end of the year as required by law.

5. The auditor for 2008 selected at the last General shareholders' meeting was Grant Thornton OOD, with registered office and principal place of activity at 54 William Gladstone St, Floor 3, Sofia 1000, entered in the registers of Sofia City Court under company case No 9558/1995, UIN 831716285, reregistered as of 15 August 2008 in the Commercial Register of the Registry Agency to the Ministry of Justice with UIN 831716285, represented by Mariy Georgiev Apostolov – Manager. Grant Thornton is a member of the Institute of Certified Public Accountants (ICPA). Grant Thornton is under registration number 32 in the ICPA's registered audit companies list.

6. For the previous years Elana Agricultural Land Opportunity Fund REIT's auditor has been Deloitte Audit OOD, with registered office and principal place of activity at 103 Alexander Stamboliiski Blvd, Sofia Towers (mall of Sofia), Sofia 1303, entered in the registers of Sofia City Court under company case No 10638/1996, UIN 121145199, represented by Borislav Stratev – Manager. Deloitte Audit OOD is a member of the Institute of Certified Public

Accountants (ICPA) in Bulgaria. Deloitte Audit OOD is under registration number 33 in the ICPA's registered audit companies list.

10. Information in accordance with articles 247 and 187e of the Commercial Act

- In compliance with article 247 of the Commercial Act and article 114b, paragraph 1 of the Public Offering of Securities Act, the Board of directors' members disclose the following information:

In compliance with article 114b of the Public Offering of Securities Act the members of the Board of directors of Elana Agricultural Land Opportunity Fund REIT disclose information regarding:

a) entities in which they control directly or indirectly more than 25 per cent of the votes at the general shareholders' meeting or over which they exert control.

STOYAN LIUBOMIROV MALKOCHEV – Member of the Board of directors and Executive Director of the Fund, controls directly or indirectly more than 25 per cent of the votes at the general shareholders' meeting or exerts control over the following entities:

1. Odessos Consult EOOD directly 100%;
2. Adamant Capital AD indirectly 25%, through Odessos Consult EOOD ;
3. CashOffice AD indirectly 25%, through Odessos Consult EOOD;
4. Apple Garden EAD indirectly 25%, through Adamant Capital AD;
5. Construction One EOOD indirectly 25% through Adamant Capital AD;
6. Varna One EOOD indirectly 25%, through Adamant Capital AD.

VASIL IVANOV VASILEV – Member of the Board of directors, controls directly or indirectly more than 25 per cent of the votes at the general shareholders' meeting or exerts control over the following entities:

1. Agro Master EOOD – directly 100%;
2. Vemi – Semena i Rastitelna Zashtita EOOD – directly 100%;

The rest of the members of the Board of directors declare that they do not control directly or indirectly more than 25 per cent of the votes at the general shareholders' meeting and do not exert control over other entities.

b) entities in whose managing or supervisory bodies they participate or represent

The Board of directors' members declare that as of the present report's preparation date they participate in managing and supervisory bodies as follows:

STRAHIL NIKOLOV VIDINOV – Member of the Board of directors; participates in the management of:

1. Allianz Bulgaria Voluntary pension fund AD, as Executive Director;
2. Allianz Bulgaria Voluntary pension fund with occupational schemes AD, as Executive Director;
3. Allianz Bulgaria Mandatory occupational pension fund AD, as Executive Director;
4. Allianz Bulgaria Mandatory universal pension fund AD, as Executive Director;

5. Allianz Bulgaria Pension Company AD, as Executive Director;
6. Bulgaria Net AD, as Chairman of the Board of directors;
7. Allianz Leasing and Services AD, as Member of the Supervisory board.

ANDREI VALERIEVICH KRUGLIHIN – Member of the Board of directors; participates in the management of:

1. Flamingo International SA, Romania, as Member of the Board of directors;
2. Black Sea Property Fund, as Member of the Board of directors.

STEFAN GEORGIEV STEFANOV – Member of the Board of directors; participates in the management of:

Bulgaria Net AD, as Executive Director and Deputy Chairman of the Board of directors.

VASIL IVANOV VASILEV – member of the Board of directors; participates in the management of:

1. Agro Master EOOD as Manager;
2. Vemi – Semena i Rastitelna Zashtita EOOD, as Manager.

STOYAN LIUBOMIROV MALKOCHEV – Member of the Board of directors and Executive Director; participates in the management of:

1. Odessos Consult EOOD, as Manager;
2. Adamant Capital AD, as Member of the Board of directors and Chairman;
3. CashOffice AD, as Member of the Board of directors and Chairman;
4. Apple Garden EAD, as Member of the Board of directors and Executive Member;
5. Carbosinergy AD, as Member of the Board of directors and Chairman;
6. Teren EOOD, as Manager.

GEORGI PETROV LICHEV – the Fund’s Procurator up until his dismissal in February 2009 has participated in the management of:

1. Elana Trading AD, Sofia, registered in the Sofia City Court under company case No 18307/1991, as Deputy Chairman of the Board of directors;
2. Elana High Yield Fund AD, Sofia, registered in the Sofia City Court under company case No 3340/2005, as Chairman of the Board of directors;
3. Elana Holding AD, Sofia, registered in the Sofia City Court under company case No 15747/1998, as Executive Director;
4. Elana Finances EAD, Sofia, регистрирано registered in the Sofia City Court under company case No 1560/2001, as Executive Director.

- Information disclosed in accordance with article 114b of the Public Offering of Securities Act by the parties who directly or indirectly control at least 25 per cent of the votes at the general shareholders’ meeting of Elana Agricultural Land Opportunity Fund REIT or exert control over the Company.

As of the present report’s preparation date the only shareholder who controlled more than 25% of the votes at the General shareholders’ meeting was QVT Fund LP owning 49.50% of all shares.

- The Board of directors’ members declare that they have no knowledge of present or

future transactions for which they can be considered related parties.

- In compliance with article 187e of the Commercial Act the Board of directors declares that the Fund has not acquired own shares during the year.

11. Information about the application of good corporate governance practices

For the execution of the requirements of article 94, paragraph 2, item 3 of the Public Offering of Securities Act about the creation and implementation of the internationally accepted standards of good corporate governance, in 2006 the Board of directors approved a Program for the Implementation of the Internationally Accepted Standards of Good Corporate Governance. This Program is strictly adhered to by Elana Agricultural Land Opportunity Fund REIT. The Board of directors ensures compliance with the programme parameters which guarantee the good management of the Fund's investments. In view of the improvement of operations and better protection of the rights, legal interests and investments of shareholders, the Program was amended with stricter requirements chiefly for the servicing company, following a protocol decision of the Board of directors from October 2006. The Board of directors points out the need for improvement and actualization of the standards and rules approved by the previous management in order to improve the control system as a guarantee for the Fund's good performance in the future.

12. Significant events occurred between 31 December 2008 and the annual closing of the accounts

Elana Agricultural Land Opportunity Fund REIT has not acquired arable agricultural land during the first quarter of 2009. This was dictated by the uncertainty of the real estate market as a result of the financial crisis. The Fund's management expects stabilization of the agricultural land market by the half of 2009 and sale offers returning to their price levels from 2006 – 2007. The Fund intends to purchase 46 thousand decares of arable land in 2009 provided the market finds its balance at price levels of 200 – 250 BGN per decare.

- On 21 January 2009 Strahil Nikolov Vidinov, member and Chairman of the Board of directors filed a request on the grounds of article 233 of the Commercial Act to be dismissed from this position;
- Following a decision of the Board of directors from 5 February 2009 a second servicing company, Agromanagement AD was selected. The servicing company has been approved by the Financial Supervision Commission;
- Following a decision of the Board of directors and a subsequent entering in the Commercial Register of the Registration Agency to the Ministry of justice the procurator Georgi Petrov Lichev has been erased from the records as such. As of the financial statements preparation date no other procurator has been elected to take his place;
- The Company's Executive Director has notified Elana Property Management AD by means of a notary invitation dated 13 March 2009 of an established invalidity of the agreement for activity service, concluded in 2005 on account of breached provisions of

article 114 of the Public Offering of Securities Act. With the same notification, on the grounds of article 55, paragraph 1 of the Obligations and Contracts Act the Company has demanded reimbursement of the paid contract considerations as well as the handing over of all documentation and possessions of the Company. Activity service has been assigned to the servicing company Agromanagement AD, Sofia, approved by the Financial Supervision Commission under terms considerably more favorable to the assignor than those of the agreement from 2005.

13. Future development of the Fund

Elana Agricultural Land Opportunity Fund REIT plans to acquire approximately 46,000 decares of arable land in 2009 and to sell approximately 18,000 decares of agricultural land in non-priority territories. The average acquisition price of agricultural land in 2009 is expected to be about 250 BGN/decare. If the Fund achieves its investment goals as of 31 December 2009 it will own about 321,000 decares of agricultural land while the cumulative average acquisition price will reach about 227 BGN/decare. The Fund also plans to sell its agricultural land for change of designation in 2009.

14. Changes in Company's share price

During the reporting period the Company's share price varied between BGN 2.40 and BGN 0.89. As of the present report's date the Company's shares were traded at price levels of BGN 0.63. For the period from the Fund's establishment until the end of 2007 the share price has increased steadily. From the beginning of 2008 as a consequence of the world financial crisis and investors' broken trust towards the management of public companies the Fund's shares suffered a 74% drop in their market price. Application of more conservative principles for the selection of assets as well as subsequent revaluations and increase in rents would eventually result in the reversal of the downtrend.

The financial statements and the Annual activity report were approved by the Board of directors on 30 March 2009.

Stoyan Malkochev
Executive Director of
Elana Agricultural Land Opportunity Fund REIT
Sofia, 29 March 2009

ELANA AGRICULTURAL LAND OPPORTUNITY FUND REIT

BALANCE SHEET

As of 31 December 2008

All amounts are in thousand Bulgarian Leva unless otherwise indicated

	<u>Note</u>	<u>As of 31.12.2008</u>	<u>As of 31.12.2007 ADJUSTED</u>
ASSETS			
Non-current			
Investment property	4	62,842	77,896
Plant and equipment	5	18	40
Intangible assets	6	2	6
Non-current assets		62,862	77,942
Current			
Assets held for sale	8	21,485	-
Cash and cash equivalents	11	5,456	10,600
Trade and other receivables	9	1,443	275
Advance payments	10	622	707
Current assets		29,006	11,582
TOTAL ASSETS		91,868	89,524
LIABILITIES			
Non-current			
Bond issues	12	19,558	19,558
Finance lease liabilities	7	5	10
Non-current liabilities		19,563	19,568
Current			
Interest on bond issues	12	563	561
Current payables	13	753	2,645
Finance lease liabilities	7	5	5
Deferred income		8	-
Current liabilities		1,329	3,211
TOTAL LIABILITIES		20,892	22,779
NET ASSETS		70,976	66,745
EQUITY			
Share capital	14	59,716	59,716
Share premium		13,453	13,453
Retained earnings / (Accumulated loss)		(6,424)	(2,731)
Profit / (Loss) for the year		4,231	(3,693)
TOTAL EQUITY		70,976	66,745

These financial statements have been approved for issue by the Board of directors and signed on behalf of Elana Agricultural Land Opportunity Fund REIT by:

Stoyan Malkochev
Executive Director

These financial statements have been prepared and signed on behalf of Elana Agricultural Land Opportunity Fund REIT by:

Stoyan Malkochev

Audited in accordance with auditor's report by:
Mariana Mihaylova, PhD
29 March 2009

ELANA AGRICULTURAL LAND OPPORTUNITY FUND REIT

INCOME STATEMENT

As of 31 December 2008

All amounts are in thousand Bulgarian Leva unless otherwise indicated

	<u>Note</u>	<u>As of 31.12.2008</u>	<u>As of 31.12.2007 ADJUSTED</u>
Gains from sale of investment property	15	15,173	971
Rental income from investment property	16	3,318	627
Interest income	17	213	704
Other income	18	69	-
TOTAL OPERATING INCOME		<u>18,773</u>	<u>2,302</u>
Carrying amount of sold investment property	15	(8,726)	(600)
Hired services expenses	19	(4,025)	(4,590)
Interest expenses	20	(1,491)	(563)
Employee benefits expenses	21	(165)	(110)
Depreciation and amortization	5,6	(27)	(30)
Cost of materials		(13)	(38)
Expenses from transactions with financial assets held for trading, net		-	(16)
Other expenses, net	22	(95)	(48)
TOTAL OPERATING EXPENSES		<u>(14,542)</u>	<u>(5,995)</u>
Profit / (Loss) before tax		<u>4,231</u>	<u>(3,693)</u>
PROFIT/(LOSS) FOR THE YEAR		<u><u>4,231</u></u>	<u><u>(3,693)</u></u>

These financial statements have been approved for issue by the Board of directors and signed on behalf of Elana Agricultural Land Opportunity Fund REIT by:

Stoyan Malkochev
Executive Director

These financial statements have been prepared and signed on behalf of Elana Agricultural Land Opportunity Fund REIT by:

Stoyan Malkochev

Audited in accordance with auditor's report by:
Mariana Mihaylova, PhD

29 March 2009

ELANA AGRICULTURAL LAND OPPORTUNITY FUND REIT

STATEMENT OF CASH FLOWS

As of 31 December 2008

All amounts are in thousand Bulgarian Leva unless otherwise indicated

	As of 31.12.2008	As of 31.12.2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	-	100
Cash paid to suppliers	(5,212)	(4,084)
Cash flows from property leases	2,115	420
Cash paid to employees and social security institutions	(201)	(56)
Taxes paid/remitted	(100)	-
Interest received	239	14
Other payments for operating activities	(19)	(38)
Net cash flow from operating activities	(3,178)	(3,644)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1)	(22)
Purchase of investment property	(15,157)	(31,404)
Proceeds from sale of investments	14,586	-
Net cash flows from investing activities	(572)	(31,426)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bond issue	-	19,558
Cash flows from financial assets held for trading	-	7,057
Other cash flows from financing activities	-	(61)
Proceeds from bank loans	7,823	-
Repayment of bank loans	(7,823)	-
Interest received and paid	(1,394)	768
Net cash flows from financing activities	(1,394)	27,322
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,144)	(7,748)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	10,600	18,348
CASH AND CASH EQUIVALENTS, END OF YEAR	5,456	10,600

These financial statements have been approved for issue by the Board of directors and signed on behalf of Elana Agricultural Land Opportunity Fund REIT by:

Stoyan Malkochev
Executive Director

These financial statements have been prepared and signed on behalf of Elana Agricultural Land Opportunity Fund REIT by:

Stoyan Malkochev

Audited in accordance with auditor's report by:
Mariana Mihaylova, PhD

29 March 2009

ELANA AGRICULTURAL LAND OPPORTUNITY FUND REIT

STATEMENT OF CHANGES IN EQUITY

As of 31 December 2008

All amounts are in thousand Bulgarian Leva unless otherwise indicated

	Share capital	Share premium	Retained earnings / (Accumulated loss)	Total
BALANCE AT 1 JANUARY 2007	59,716	13,453	9,360	82,529
Changes in accounting policy	-	-	(12,091)	(12,091)
ADJUSTED BALANCE AT 1 JANUARY 2007	59,716	13,453	(2,731)	70,438
Profit / (Loss) for the year (ADJUSTED)	-	-	(3,693)	(3,693)
Total recognized income and expense for the period (ADJUSTED)	-	-	(3,693)	(3,693)
BALANCE AT 1 JANUARY 2008 (ADJUSTED)	59,716	13,453	(6,424)	66,745
Profit / (Loss) for the year (ADJUSTED)	-	-	4,231	4,231
Total recognized income and expense for the period	-	-	4,231	4,231
BALANCE AT 31 DECEMBER 2008	59,716	13,453	(2,193)	70,976

These financial statements have been approved for issue by the Board of directors and signed on behalf of Elana Agricultural Land Opportunity Fund REIT by:

Stoyan Malkochev
Executive Director

These financial statements have been prepared and signed on behalf of Elana Agricultural Land Opportunity Fund REIT by:

Stoyan Malkochev

Audited in accordance with auditor's report by:
Mariana Mihaylova, PhD

29 March 2009

1. GENERAL INFORMATION

1.1 Establishment, share capital and Company's principal activity

Elana Agricultural Land Opportunity Fund REIT (the Company) is a public joint-stock company established on 14 March 2005. The Company was registered in Sofia City Court on 7 April 2005 and has been entered into the Court's Commercial Register under company case No 3781/2005, batch No 92550, volume 1208, register I, page 116. The Company has been entered into the Commercial Register with UIN 131404159. The Company's registered office and principal place of activity is 4 Kuzman Shapkarev St, Sofia and its mailing address is 49 Bulgaria Blvd., Vitosha Business Center, Floor 5, Sofia 1404.

The Company's principal activity includes investment of cash funds raised through public offering of shares; acquisition and investment in real estate through purchase of right of property and other real rights; constructions and ameliorations of properties for the purpose of their management, lease or sale.

Special purpose legislation governing the Company's activity includes the Special Investment Purpose Companies Act and the Public Offering of Securities Act. The Company is subject to regulation from the Financial Supervision Commission (FSC) on the basis of these acts. The Company has received license No 370 for performance of activity following a FSC decision dated 1 June 2005.

The Company has been established for a 7-year term.

The Company has one-tier system of management.

A new Board of directors was elected at the General shareholders' meeting held on 30 June 2008 consisting of the following members:

Strahil Nikolov Vidinov, Member and Chairman of the Board of directors;
Andrei Valerievich Kruglihin, Member of the Board of directors;
Stefan Georgiev Stefanov, Member of the Board of directors;
Vasil Ivanov Vasilev, Member of the Board of directors;
Stoyan Liubomirov Malkochev, Member of the Board of directors and Executive director.

At a meeting held on 30 June 2008 the newly elected Board of directors decided to appoint Georgi Petrov Lichev Procurator of Elana Agricultural Land Opportunity Fund REIT.

As of 31 December 2008 the Company has issued shares amounting to BGN 59,715,885.

1.2 Company's investment strategy, goals and restrictions

Scope of business

Elana Agricultural Land Opportunity Fund REIT's scope of business is investment of cash funds raised through securities issues in agricultural land. The Fund's main activities include the organization of the land purchase, its lease, the gradual concentration and consolidation of the agricultural land portfolio and its subsequent sale in 2011.

Main goals

In accordance with the statute of Elana Agricultural Land Opportunity Fund REIT the main goal of the Company's investment activities is directed towards appreciation of the Company's shares and dividend payments to the shareholders while maintaining and increasing the amount of equity.

Investment restrictions

Elana Agricultural Land Opportunity Fund REIT acquires solely agricultural land and does not securitize other types of real estate. In compliance with the provisions of the Special Investment Purpose Companies Act the Company may not acquire rights of property and other (restricted) real rights over real estate located outside the territory of the Republic of Bulgaria. The Company also may not acquire real rights over real estate that is subject to legal disputes. In compliance with the Special Investment Purpose Companies Act the temporarily available cash funds may be invested solely in:

- securities issued or guaranteed by the Bulgarian state and bank deposits;
- mortgage bonds issued in compliance with and under the conditions of the Mortgage Bonds Act but amounting to no more than 10% of the Company's assets.

In compliance with the Special Investment Purpose Companies Act the Company may also invest up to 10% of its capital in one or more servicing companies.

At the General shareholders' meeting held on 30 June 2008 the Company's shareholders accepted the Board of directors' proposal for an amendment in the Company's statute in accordance with which the amount of the investments in agricultural land purchased for the purpose of change of designation may not exceed 10% of the book value of the Company's assets as at the end of each financial year and also may not exceed 5 million Euro.

2. BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

2.1. Basis for financial reporting

The Company keeps its accounting records and prepares its financial statements in compliance with the provisions of Bulgarian commercial and accounting legislation. In accordance with this legislation application of the International Financial Reporting Standards, approved by the EU is obligatory for financial institutions and companies registered on a stock exchange as well as for all Bulgarian companies that meet the requirements set in the Accountancy Act for small and medium-sized entities, while the rest may choose to prepare and present their financial statements in compliance with IFRS.

2.2. Basis for the preparation of the financial statements

The Company prepares and presents its financial statements in compliance with the International Financial Reporting Standards (IFRS), as developed and published by the International Accounting Standards Board (IASB) and approved by the EU Commission, as well as the interpretations, effective for 2008 that are relevant to the Company's activity.

The following new changes to Standards and Interpretations are effective for the first time in the financial year, beginning on 1 January 2008, but are not relevant the activity of the Company:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As of 31 December 2008

All amounts are in thousand Bulgarian Leva unless otherwise indicated

- IFRIC 11 “IFRS 2 – Group and Treasury Share Transactions”;
- IFRIC 12 “Service Concession Arrangements”;
- IFRIC 14 “IAS 19 - The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction”;
- Amendments to IAS 39 “Financial instruments: Recognition and Measurement” and IFRS 7 “Financial instruments: Disclosures”, published in October 2008. Due to the exceptional shocks in the financial market during the third quarter of 2008, the IASB allows the reclassification of financial assets in accordance with the amendments, retrospectively beginning 1 July 2008. Company management is assessing the accounting treatment of the financial instruments in light of the amendments.

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company. The following changes in IAS/IFRS and interpretations that have been published but are not yet effective have not been adopted:

- IAS 1 (Revised) “Presentation of Financial Statements”, effective for annual periods beginning on or after 1 January 2009;
- IAS 23 (Revised) “Borrowing Costs”, effective for annual periods beginning on or after 1 January 2009;
- IFRIC 12 “Service Concession Arrangements”, effective for annual periods beginning on or after 1 January 2009.

Management anticipates that all of the pronouncements will be adopted in the Company’s accounting policy for the first period beginning after the effective date of the pronouncement and will not be subject to an early adoption.

Information on new standards, amendments and interpretations that are not expected to have an impact on the Group’s financial statements is provided below:

- IFRS 8 “Operating segments”, effective for annual periods beginning on or after 1 January 2009. IFRS 8 replaces IAS 14 “Segment reporting” and requires that the accounting policy for identifying segments be based on internal management reporting information. The expected impact on the financial statements is still being assessed by Company management;
- IAS 23 (Revised) “Borrowing Costs”, effective for annual periods beginning on or after 1 January 2009. This amendment is not applicable for the Company because, at present, borrowing costs do not fulfil the criteria for recognizing interest expenses as a component of the cost of internally developed property, plant and equipment;
- IFRS 2 (Revised) “Share-based Payment”, effective for annual periods beginning on or after 1 January 2009. Company management does not, nor intends to pay employee remuneration in the form of shares or shares purchase options;
- IFRS 3 (Revised) “Business Combinations” and the resulting amendments to IAS 27 “Consolidated and Separate Financial Statements”, IAS 28 “Investments in Associates”, and IAS 31 “Interests in Joint Ventures”, applicable for business combinations occurring in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. Management is assessing the impact of the new requirements for the accounting of acquisitions, consolidation and accounting of associates on the financial statements of the Company. The Company does not own any joint ventures and associates;
- IFRIC 13 “Customer Loyalty Programmes”, effective for annual periods beginning on or after 1 July 2008. The Company does not have customer loyalty programmes;
- IFRIC 15 “Agreements for the Construction of Real Estate”, effective for annual periods beginning on or after 1 January 2009. The Company has not, nor does it plan to enter into agreements for the construction of real estate;

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As of 31 December 2008

All amounts are in thousand Bulgarian Leva unless otherwise indicated

- IFRIC 16 “Hedges of a net investment in a foreign operation, effective for annual periods beginning on or after 1 October 2008. The Company does not perform hedging of net investments in foreign operations;
- Annual Improvements 2008. The IASB has issued “Improvements for International Financial Reporting Standards 2008.” The greater part of these amendments will be effective for annual periods beginning on or after 1 January 2009. These changes are not expected to significantly affect the financial statements of the Company and have not been analyzed in greater detail.

Information on new standards, amendments and interpretations that are expected to have an impact on the Group’s financial statements is provided below:

- IAS 1 (Revised) “Presentation of Financial Statements”, effective for annual periods beginning on or after 1 January 2009. Management is in the process of developing financial statements in accordance with the amended disclosure requirements in this standard;
- IAS 32 (Revised) “Financial Instruments: Presentation” and respective amendments to IAS 1 “Presentation of Financial Statements”, effective for annual periods beginning on or after 1 January 2009. These amendments are not applicable for the Company, because it does not own instruments with a right to return.

Based on the Company’s accounting policies, management does not expect material impacts on the Company’s financial statements when the new standards, amendments and interpretations become effective.

2.3. Summary of accounting policies

The significant accounting policies that have been used in the preparation of these financial statements are summarized below.

The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below. Financial Statements are prepared under the going concern principle.

The preparation of financial statements in compliance with IFRS requires management to make estimates and assumptions that affect the carrying amount of assets and liabilities as of the balance sheet date and income and expenses for the reporting period, as well as the disclosure of contingent assets and liabilities. Although these estimates are based on management’s best knowledge of current events and actions, actual results may ultimately differ from those estimates.

2.4 Functional currency and presentation currency

Functional currency is the currency of the main economic environment in which an entity carries out its activities and in which most of the cash and cash equivalents is being generated and spent. It reflects the main transactions, events and conditions that are significant for the entity. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of remaining balances at year-end exchange rates are recognized in the income statement.

The Company keeps its accounting records and prepares its financial statements in the national currency of the Republic of Bulgaria – Bulgarian Lev (BGB). This is the official currency of the

main economic environment in which the Company carries out its activities. Since 1 January 1999 the BGN has been fixed to the Euro at rate 1 EUR = 1.95583 BGN.

The Bulgarian Lev is also the presentation currency of these financial statements. Unless otherwise stated the financial statements have been prepared and presented in thousand BGN.

2.5 Critical accounting estimates and their uncertainty

When preparing the financial statements in compliance with the IFRS management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses and contingent assets and liabilities. All of them have been made on the basis of management's best estimate as of the financial statements' preparation date. The actual results may differ from the judgements, estimates and assumptions made by management in the presented financial statements.

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

Impairment

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future gross profits. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year.

Useful life of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date. At 31 December 2008 management assesses that the useful lives represent the expected utility of the assets to the Group. The carrying amounts are analysed in notes 6 and 7. Actual results, however, may vary due to technical obsolescence, particularly relating to software and computer equipment.

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Pending litigations, administrative or arbitration proceedings

As of the present report's preparation date the Fund was party in pending litigations, administrative or arbitration proceedings regarding receivables or payables of the Fund to an amount as follows:

ELANA AGRICULTURAL LAND OPPORTUNITY FUND REIT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As of 31 December 2008

All amounts are in thousand Bulgarian Leva unless otherwise indicated

Type of legal proceedings	Number	Amount of the potential loss for the Fund	Amount recovered	Remaining amount to be recovered
1 Proceedings against regional representatives of the Fund that have not reported funds wired to them for purchases of land	2	446,093	63,182	382,911
2 Regional representatives with executive court cases on the basis of issued receiving orders on promissory notes payable to the Fund	3	103,115	26,279	76,836
3 Proceedings for which the Fund is respondent and related proceedings for recovery of amounts paid for property from which the Fund has been suspended	17	222,849	213,065	9,784
4 Executive court cases against debtors under agreements in which the Fund is suspended as a result of presenting documents with fraudulent content or forged documents	2	14,292	5,451	8,841
Total		786,349	307,977	478,372

As of the present report's preparation date the proceedings against the former regional representative Kalina Angelova have been concluded in the Fund's favor in front of the Veliko Tarnovo Appeal Court. The Fund has proceeded to obtain a receiving order.

2.6 Comparative information

Some of the items presented in the balance sheet, the income statement and the statement of changes in equity for 2007 have been reclassified in order to maintain better comparability with the information from 2008.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Investment property

Investment properties in which the Company invests consist of land, which is held for rental income and for the purpose of value appreciation through gradual concentration, as well as agricultural land purchased for the purpose of territorial consolidation.

Investment property is initially carried at cost, including the price of acquisition and any costs directly attributable to the acquisition of the investment property. Subsequent costs related to investment property already recognized, are recorded within the carrying amount of the investment property if it is considered probable that the entity shall gain future economic benefits that exceed the initially estimated rate of efficiency of the existing investment property. All other subsequent costs are recognized as an expense for the period in which they are incurred.

Derecognition of investment property is performed upon its sale or disposal in case no economic benefits from its sale is expected. Gains or losses arising from the retirement or disposal of investment property are recognized in the Income statement and represent the difference between the net disposal proceeds and the carrying amount of the investment property.

Rental income and operating expenses from investment property are reported within "revenue" and "other expenses" respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As of 31 December 2008

All amounts are in thousand Bulgarian Leva unless otherwise indicated

Change in accounting policy

In 2008 the Company has changed the accounting policy regarding the revaluation method of investment property subsequent to its initial recognition.

In prior financial statements that represent comparative information in the present financial statements the Company has measured its investment properties at their market values. These were determined at the end of each financial year by independent licensed valuers in compliance with article 20, paragraphs 1 and 2 of the Special Investment Purpose Companies Act. The valuers have used the fair value model for the investment property revaluation. Fair market value is considered the most probable value at which a given asset can be sold on a competitive market while adhering to all conditions for a fair transaction which are: the parties should be knowledgeable, well informed of the facts related to the respective asset, willing, led by their own interests and taking into account that the realization term should be of reasonable length.

Company's management has conducted a thorough analysis of the current market conditions and the extent to which a systematic and consistent assessment of investment properties' market value can be made. As a result of the analysis the Company's management has found significant restrictions and uncertainties accompanying application of the chosen revaluation model arising from the causes and consequences of the financial crisis and lost confidence on a world scale. The subsequent debates and discussions with various institutions and regulation authorities, including the International Accounting Standards Board, regarding application of the fair value model induced the management to be more careful and conservative when using the revaluation method subsequent to initial recognition of investment property. In consequence, the Company's management decided that a change in the applied accounting policy for subsequent revaluation of investment property from the fair value model to the cost model will lead to the presentation of information that is more reliable and relevant to the subsequent revaluation of investment property and the effect of the related transactions. According to the cost model, following the initial recognition, the investment property is reported at cost less accumulated depreciation and any impairment losses in compliance with IAS 16 "Property, Plant and Equipment" excluding those assets that meet the requirements for classification as held for sale in compliance with IFRS 5 "Non-current assets Held for Sale and Discontinued Operations."

Financial statements from prior periods which represent comparative information in the present financial statements have been restated and the change in accounting policy has been applied retrospectively.

ELANA AGRICULTURAL LAND OPPORTUNITY FUND REIT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As of 31 December 2008

All amounts are in thousand Bulgarian Leva unless otherwise indicated

Restatement has been presented in the income statement for 2007 as follows:

	As of 31.12.2007	Adjustments	As of 31.12.2007 (ADJUSTED)
Gains from investment property revaluation	51,144	(51,144)	-
TOTAL OPERATING INCOME	53,446	(51,144)	2,302
Profit / (Loss) before tax	47,451	(51,144)	(3,693)
Tax	-	-	-
NET PROFIT / (LOSS) FOR THE YEAR	47,451	(51,144)	(3,693)

Restatement has been presented in the income statement for 2008 as follows:

	As of 31.12.2008	Adjustments	As of 31.12.2008 (ADJUSTED)
Carrying amount of sold property	14,547	(5,821)	8,726
Revaluation costs (impairment of assets)	72	(72)	-
TOTAL OPERATING EXPENSES	20,436	(5,893)	14,543
Profit / (Loss) before tax	(1,662)	5,893	4,231
Tax	-	-	-
NET PROFIT / (LOSS) FOR THE YEAR	(1,662)	5,893	4,231

Restatement has been presented in the balance sheet as of 31 December 2007 as follows:

	As of 31.12.2007	Adjustments	As of 31.12.2007 (ADJUSTED)
Investment property	141,132	(63,236)	77,896
TOTAL ASSETS	152,760	(63,236)	89,524
NET ASSETS	129,981	(63,236)	66,745
Retained earnings / (Accumulated loss)	9,361	(12,092)	(2,731)
Profit / (Loss) for the year	47,451	(51,144)	(3,693)
Total equity	129,981	(63,236)	66,745

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As of 31 December 2008

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Restatement has been presented in the balance sheet as of 31 December 2008 as follows:

	As of 31.12.2008	Adjustments	As of 31.12.2008 (ADJUSTED)
Investment property	141,668	(57,342)	84,326
TOTAL ASSETS	149,184	(57,342)	91,842
NET ASSETS	128,318	(57,342)	70,976
Retained earnings / (Accumulated loss)	56,811	(63,235)	(6,424)
Profit / (Loss) for the year	(1,662)	5,893	4,231
Total equity	128,318	(57,342)	70,976

3.2 Plant and equipment

Plant and equipment are initially carried at cost, including the price of acquisition and any costs directly attributable to the acquisition of assets.

Following the initial recognition, the investment property is reported at cost less accumulated depreciation and any impairment losses. Impairment losses are recorded as an expense and recognized in the income statement in the period to which they relate.

Plant and equipment acquired under finance lease agreement, are depreciated based on their expected useful life, determined by reference to comparable assets or based on the period of the lease contract, if shorter.

Depreciation is charged commencing from the month following the month of the asset's acquisition or putting into operation. Plant and equipment are depreciated based on their expected useful life. Depreciation is calculated using the straight-line method and based upon the following estimated useful lives of the assets:

Category of asset	Depreciation rate	Estimated useful life
Computer equipment	50%	2 years
Plant and equipment	30%	3.33 years
Vehicles	25%	4 years
Fixtures & Fittings	15%	6.66 years

Subsequent costs related to a separate item of property, plant and equipment, are recognized within the carrying amount of the asset, if it is considered probable that the Company shall gain economic benefits that exceed the initially estimated operating efficiency of the existing asset. All other subsequent costs are recognized as an expense for the period in which they are incurred.

The recognition threshold for plant and equipment amounts to BGN 500.

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3.3 Intangible assets

Intangible assets acquired by the Company, which are expected to generate economic benefits exceeding costs beyond one year, are reported at cost less accumulated amortization and any impairment losses.

Amortization is provided on a straight-line basis, calculated to write off the recorded cost of the intangible assets over their estimated useful lives, which is two years for computer software and other intangible assets.

The recognition threshold for intangible assets amounts to BGN 500.

Subsequent expenditure on an intangible asset is added to the carrying amount of the intangible asset when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance. All other subsequent expenditures are recognized as expenses when they are incurred.

3.4 Assets held for sale

The Company classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For the sale to be highly probable, the management must be committed to a plan to sell the asset, and an active programme to locate a buyer and complete the plan must have been initiated and/or there are concluded preliminary agreements with buyers. The Company measures non-current assets classified as held for sale at the lower of its carrying amount and fair value less costs to sell.

3.5 Fair value estimation

The fair value of financial instruments traded in active markets, such as publicly traded bonds and trading securities, is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price.

3.6 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

3.7 Current receivables and liabilities

Current receivables are measured at net realizable value. Current liabilities are measured at the value at which they are expected to be settled in the future.

3.8 Foreign currency transactions

Foreign currency transactions are accounted for by applying the central exchange rate of the Bulgarian National Bank (BNB) to the foreign currency amount as of the date of the transaction. Monetary assets and liabilities denominated in foreign currency are retranslated into BGN using the BNB rate of exchange at the balance sheet date for the respective currencies. Any gain or loss

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resulting from the change in rates of exchange subsequent to the date of the transaction is included in the income statement as a gain or loss from the revaluation of foreign currency positions.

Effective from January 1, 1999, the Bulgarian Lev has been fixed to the Euro at rate BGN 1.95583 = EUR 1. The BNB determines the exchange rate of the BGN to other foreign currencies using the rate of the EUR to the respective currency, quoted in the international markets.

The Company has no significant transactions denominated in currencies other than BGN and EUR. The Company therefore is not exposed to significant foreign exchange rates risk.

3.9 Employee benefits

The Company has not developed and does not apply any programs for employee retirement benefits, other long-term employee benefits, or for compensating employees by way of shares from the Company's share capital.

The Company recognizes current liabilities related to unused paid annual leave dues from prior periods. Current liabilities due to employees may include salaries, other remunerations and social security contributions. As of December 31, 2007, the Company has not reported current liabilities in respect of unused paid annual leave dues.

3.10 Taxation

Taxes due are calculated in compliance with Bulgarian legislation. According to the Corporate Income Tax Act, special investment purpose companies licensed under the Special Investment Purpose Companies Act, are exempt from corporate income taxation. Therefore, the Company has not accrued any current or deferred income taxes as of the balance sheet date.

3.11 Financial instruments

All financial assets and liabilities are initially recognized at fair value, which is the fair value of payment (for an asset) or receipt (for a liability) of respective compensation. Financial assets include financial assets held for trading, loans and receivables, held until maturity and financial assets available for sale. Financial assets held for trading and those available for sale are subsequently valued at fair value, where changes in the fair value are recognized as income or expenses in the income statement (in the case of assets held for trading) or are recognized as equity (in the case of assets available for sale). Loans, receivables and financial assets, held until maturity are subsequently remeasured at amortized value using the effective interest rate method.

Debt and capital instruments are classified respectively as financial liabilities or equity in respect to the contract. A capital instrument is any contract, which leaves residual value in the assets of the Company after deduction of all liabilities. Capital instruments are recognized at received incomings, net of issue costs. Financial liabilities are classified either as financial liabilities, recognized at fair value in the profit or loss, or as other financial liabilities. Each income/expense, related to financial liabilities recognized at fair value in the profit or loss, is recognized in the profit and loss. Other financial liabilities, including loans, are initially measured at fair value, net of transaction costs. They are subsequently valued at amortized value using the effective interest rate method, while the interest expense is recognized on the basis of effective return.

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Financial assets are being reviewed at the balance sheet date for signs of impairment or revaluation. If any such indication exists, the asset's recoverable value is determined and appropriate adjustment made to the carrying value.

3.12 Income from rental agreements

In 2008 rental income relating to the agricultural year 2006/2007 has been recognized in the current year. Rental income is accrued after the receipt of a signed rental agreement in the servicing company's office and is recognized on a pro rata basis over the quarters of the respective agricultural year regardless of the dates of the actual receipt of the payments under these agreements. For agreements concluded by the end of the year during which the agricultural year commences, one quarter of the rental income is recognized in the last quarter of the current year and the remainder of the rental income is recognized on a pro rata basis until the third quarter of the following year. For agreements concluded or received in the servicing company's office after 1 January for the year in which the agricultural year ends, rental income is recognized over the quarters of the current year and the part that refers to prior quarters is recognized in the quarter in which the agreement has been concluded or received. For agreements concluded or received in the servicing company's office after the end of the agricultural year to which they refer, the total rental income is recognized in the quarter in which the agreement has been concluded or received. Invoices under rental agreements are issued on the agreement's expiry date and are of the payable amount under the agreement and its accompanying annexes.

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As of 31 December 2008

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4. INVESTMENT PROPERTY

In 2008 the Company changed its accounting policy regarding investment property revaluation method subsequent to initial recognition (see note 3.3).

As of 31 December 2008 the investment properties owned by the Fund amount to 62,842 T BGN as follows:

Total investment property	Area in decares	Acquisition amount BGN '000	Carrying amount BGN '000
Balance at 31 December 2007	251,437	77,896	77,896
Additions in 2008	42,789	15,157	15,157
Investment properties reclassified in 2008 as assets held for sale	1,383	(21,485)	(21,485)
Disposals in 2008	872	(8,726)	(8,726)
Balance at 31 December 2008	291,971	62,842	62,842

In compliance with the provisions of article 20 of the Companies with Special Investment Purpose Act the Company has assigned the owned agricultural land evaluation as at 31 December 2008 to licenced valuers from Values and Partnership OOD. Fair market value at the end of 2008 determined by the valuers amounted to 109,453 T BGN. The Company has adopted a more prudent and conservative revaluation method subsequent to initial recognition of investment property, as a result of which the investment properties are presented at their purchase value in the present financial statements. Management believes that by presenting information about both the investment properties' purchase value and fair market value it meets to a great extent the needs of the parties interested in the Fund's activities and performance for knowledge of these assets' status.

5. PLANT AND EQUIPMENT

	Equipment	Fixtures & Fittings	Vehicles	Total
Gross carrying amount				
Carrying amount at 1 January 2007	36	4	24	64
Additions	14	1	-	15
Carrying amount at 31 December 2007	50	5	24	79
Additions in 2008	1	-	-	1
Carrying amount at 31 December 2008	51	5	24	80
Accumulated depreciation				
Depreciation at 1 January 2007	12	-	1	13
Accrued depreciation for 2007	19	1	6	26
Depreciation at 31 December 2007	31	1	7	39
Accrued depreciation for 2008	16	1	6	23
Depreciation at 31 December 2008	47	2	13	62
Carrying amount				
Carrying amount at 31 December 2007	19	4	17	40
Carrying amount at 31 December 2008	4	3	11	18

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6. INTANGIBLE ASSETS

	Intangible assets	Total
Gross carrying amount		
Carrying amount at 1 January 2007	1	1
Additions	9	9
Carrying amount at 31 December 2007	10	10
Additions in 2008	-	-
Carrying amount at 31 December 2008	10	10
Accumulated amortization		
Amortization at 1 January 2007	-	-
Accrued amortization for 2007	4	4
Amortization at 31 December 2007	4	4
Accrued amortization for 2008	4	4
Amortization at 31 December 2008	8	8
Carrying amount		
Carrying amount at 31 December 2007	<u>6</u>	<u>6</u>
Carrying amount at 31 December 2008	<u>2</u>	<u>2</u>

7. FINANCE LEASE LIABILITIES

The Company acquired an automobile under a finance lease agreement. Its net carrying amount is 11 T BGN (2007: 17 T BGN). The assets are included under "vehicles" which form an integral part of "Plant and equipment" (see note 5).

Future minimum finance lease payments at the end of the current and prior periods under review were as follows:

	Minimum lease payments due		
	Within 1 year	1 to 5 years	Total
31 December 2008			
Lease payments	6	5	11
Finance charges	(1)	-	(1)
Net present value	<u>5</u>	<u>5</u>	<u>10</u>
31 December 2007			
Lease payments	6	12	18
Finance charges	(1)	(2)	(3)
Net present value	<u>5</u>	<u>10</u>	<u>15</u>

The lease agreement includes fixed lease payments and a purchase option at the end of the fourth year of the lease term. The agreement is non-cancellable but does not contain any further restrictions. No contingent rents were recognized as income in the reporting periods under review,

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and no future sublease income is expected to be received as all assets are used exclusively by the Company.

8. ASSETS HELD FOR SALE

In 2008 the Company reclassified two real estate properties differentiated as two separate projects: Project Kambanite and Project Wind Park Vetrino from Investment property to Assets held for sale.

The main reasons for the reclassification are as follows:

In February 2008 the Fund concluded an agreement with Brisk Consulting & Services EOOD for the preparation of a detailed site development plan and change of statute of agricultural land for the Project Kambanite. The contract price for the two assignments amounts to EUR 778,000 with included VAT. As of the financial statements preparation date the statute of the land still has not been changed but in the proposed change in the Sofia General Site Development Plan the real estate properties have a statute of zoned properties. As a result in September 2008 the Board of directors took a decision to empower the Fund's Executive Director to conclude an intermediation agreement with Iavlana OOD for the sale of Project Kambanite. Management believes that the real estate properties will be sold by the end of 2009.

In December 2008 the Fund concluded an agreement with Hydroelectric de Bulgarie OOD, part of the Electricité de Frans Group for the sale of 1,200 decares of land designated as Project Wind Park Vetrino on which a wind park with a capacity of 30 to 50 MW will be constructed after the respective measurements and preparation of the necessary documentation. In accordance with the agreement terms the deal has to finalized by 15 December 2009.

	Area (decares)	Average acquisition price	Total acquisition cost BGN '000	Net realizable value BGN '000
Project Kambanite	183	109 BGN/m ²	20,047	26,238
Project Wind Park Vetrino	1,200	1 198 BGN/decare	1,438	5,600
Total as of 31.12.2008	1,383		21,485	31,838

Assets held for sale are carried at the lower of acquisition cost and net realizable value less transaction costs at the financial statements preparation date.

As of 31 December 2008 the Company has assigned the fair market price evaluation of the real estate properties under the Project Kambanite to the licenced valuer Iavlana Impact OOD. According to the evaluation report the properties' fair market value at the end of the year was 40,529 T BGN. The expenses necessary for the properties under Project Kambanite to be sold as zoned properties amount to approximately 14,000 T BGN or the net realizable value of these properties is approximately 26,238 T BGN which is about 24% higher than their carrying amount in the Company balance sheet.

As of 31 December 2008 the Company has assigned the fair market price evaluation of a consolidated land parcel of 1,200 decares agricultural land under the Project Wind Park Vetrino to the licenced valuer of agricultural land Values and Partnership OOD. According to the evaluation report the parcel's fair market value at the end of the year was 333 T BGN. In accordance with the concluded agreement with Hydroelectric de Bulgarie OOD the Company will sell the consolidated

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land parcel of 1,200 decares after the respective measurements and preparation of the necessary documentation for the construction of a wind park with a capacity of 30 to 50 MW. The price that Hydroelectric de Bulgarie OOD has to pay amounts to 130 T EUR for each megawatt of projected capacity. The Company on its part has concluded an agreement with Puzzle Consulting EOOD for project management and preparation of all permits and has undertaken to pay 20% of the project profit upon the project sale.

9. TRADE AND OTHER RECEIVABLES

	As of 31.12.2008	As of 31.12.2007
Receivables under rental agreements for 2008/2009	768	-
Receivables under rental agreements for 2007/2008	650	207
Interest receivables	20	46
Other receivables	5	13
Receivables from clients and suppliers	-	9
Total	1,443	275

All trade receivables are short-term. The carrying value of trade receivables is considered a reasonable approximation of fair value.

The significant trade receivables as at 31 December are presented below:

	As of 31.12.2008	As of 31.12.2007
ET Dar Liubka Kaseva	120	-
ET Agro – S. Dichevski	101	-
Mega Group EOOD	51	-
ZP Nenko Ivanov Nenkov	42	-
Sortovi semena Vardim EAD	41	-
Hera Agro OOD	39	-
Standart Agro AM EOOD	33	-
Biotex EOOD	30	-
Satelit 4 OOD	24	-
ZP Tsvetelina Dimitrova Ivanova	21	-
Sortovi semena Invest AD	20	1
Agro Terra North AD	19	-
Agro Santia EOOD	18	-
ZP Hristo Hristov Karski	16	-
C Commerce 2004 OOD	16	1
ZP Iulia Atanasova Bochukova	15	-
Agroles Dimov EOOD	15	-
Kristera Agro EOOD	14	-
ZP Stanislav Ivanov Stefanov	13	-
ZP Stefan Dimov Hubenov	13	-
Margarita EOOD	12	-
Agrodistan EOOD	12	-
ZP Zlatko Ivanov Kulchev	12	4
GBM AD	12	-
Plodinvest EOOD	11	1

ELANA AGRICULTURAL LAND OPPORTUNITY FUND REIT

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SIGNIFICANT TRADE RECEIVABLES (CONTINUED)	31.12.2008	31.12.2007
Markland EOOD	10	-
Iordan Milev Momchev	-	9
Atanasov Grain	-	6
Hristo Hinkin EOOD	-	4
ZP Zlatko Ivanov Kulchev	-	4
Hiks Petrol EOOD	-	4
Iank 100 EOOD	-	4
ZPK Treti mart	-	4
Kemapul EOOD	-	3
ET Svetlin Ilchovski	-	3
Klas 96 EOOD	-	3
ET Amorfa 94 – Pencho Kalchev	-	3
Drava Agro	-	3
ZP Ivan Iordanov Ivanov	-	3
Agrozah OOD	-	3
Others	688	153
	1,418	216

All trade and other receivables have been reviewed for indicators of impairment.

10. ADVANCE PAYMENTS

	As of 31.12.2008	As of 31.12.2007
Kalina Georgieva Angelova	406	406
Dimitrin Dimitrov	61	61
Vania Stoycheva	40	40
Dimitar Ivanov	19	4
Vladimir Vasilev Iankov	18	18
Aleksandar Elenkov	6	10
Pepa Arsenova	5	5
Stoyan Ganchev	3	62
Nevian Georgiev	2	3
Stoyan Borisov Stoyanov	-	20
Tsetozar Tsvetkov	-	19
Plamen Petrov	-	12
Dimitar Dimitrov	-	10
Suzana Nedeva	-	7
Katia Kirilova	-	7
Daniela Marinova Georgieva	-	4
Irena Andonova Dimitrova	-	4
Others	1	13
Advance payments to employees	2	2
Advance payments under concluded rental agreements	59	-
	622	707

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11. CASH AND CASH EQUIVALENTS

	As of 31.12.2008	As of 31.12.2007
Bank deposits	5,384	8,186
Cash at bank	72	2,386
Cash in hand	-	28
Total	5,456	10,600

In November 2008 the Company made a three-month deposit amounting to 1,500 T BGN at 8.5% annual interest in a Bulgarian bank. The Company has a deposit (under call deposit terms) in another Bulgarian bank amounting to 3,884 T BGN at 6.5% annual interest.

12. BOND ISSUES

In 2007 the Company issued three-year unsecured bonds amounting to EUR 10,000,000 at fixed annual interest of 7% with interest payments twice a year and one-time repayment of principal upon maturity. As of 31 December 2008 the Company has accrued 1,371 T BGN of interest expenses on the bond issue. The outstanding interest due to bond holders is 563 T BGN.

13. CURRENT PAYABLES

	As of 31.12.2008	As of 31.12.2007
Servicing company consideration	569	1,771
Payables to regional representatives	81	740
Payables to suppliers	72	77
Payables to employees	24	53
Payables to social security institutions	1	3
Other liabilities	6	-
Tax liabilities	-	1
Total	753	2,645

14. SHARE CAPITAL

	Number of shares	Par value BGN	Share capital ХИЛ. ЛВ.
Share capital at 1 January 2007	59,715,885	1	59,716
Issued shares during the year	-	-	-
Share capital at 31 December 2007	59,715,885	1	59,716
Share capital at 31 December 2008	59,715,885	1	59,716

The registered share capital consists of 59,715,885 ordinary shares with par value of BGN 1 per share. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of the Company.

The list of the principal shareholders is as follows:

ELANA AGRICULTURAL LAND OPPORTUNITY FUND REIT

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	2008	2008	2007	2007
	Number of	%	Number of	%
	shares		shares	
QVT FUND LP	29,560,880	49.50	23,110,048	38.70
ALLIANZ BULGARIA	9,931,764	16.63	9,650,087	16.16
MORGAN STANLEY AND CO.INTERNATIONAL	-	-	6,532,918	10.94
RAIFFEISEN ZENTRALBANK OSTERREICH AG	-	-	3,941,248	6.60
CREDIT SUISSE SECURITIES(EUROPE)LTDPB	5,011,123	8.39		
Minority owners	15,212,118	25.47	16,481,584	27.60
		<u>100</u>		<u>100</u>

15. GAINS FROM SALE OF INVESTMENT PROPERTY

In 2008 the Company has sold part of its real estate properties including 41 decares of the land in the village of Vrazhdebna (the so-called land "Detelina") and 100 decares of the land in the town of Elin Pelin (the so-called land "Elin Pelin"), Sofia district. The financial result of these transactions can be analyzed as follows:

	Land	Land	Agricultural	Total
	"Detelina"	"Elin Pelin"	land	
Proceeds from sale of assets	11,226	3,937	10	15,173
Carrying amount of sold assets	5,748	2,971	7	8,726
Transaction costs, including:	317	67	-	384
<i>Paid commission</i>	269	47	-	316
<i>Local taxes and fees</i>	48	20	-	68
Net income from the sale of assets	5,161	899	3	6,063

16. RENTAL INCOME FROM INVESTMENT PROPERTY

In 2007 and 2008 the Company has concluded rental agreements for approximately 174 thousand decares of agricultural land which is about 60% of the purchased land as of 31 December 2008.

Years to which the respective rental	Accrued	Paid income	Remainder
income relates	income for	for 2008	after
	2008		31.12.2008
For 2005/2006	1	1	-
For 2006/2007	28	28	-
For 2006/2007	0	207	-
For 2007/2008	2,518	1,868	650
For 2008/2009	771	3	768
Deferred income**	-	8	-
Total	3,318	2,115	1,418

Under the matching concept costs that relate to the following financial years are accrued as deferred expenses and amount to 67 T BGN. They are going to be recognized during the year to which they

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relate. In 2008 6 T BGN were recognized as expenses which is one quarter of total expenses for the year.

17. INTEREST INCOME

Interest income for 2008 consists of:

	As of 31.12.2008	As of 31.12.2007
Bank deposits	209	576
Debt securities	-	119
Others	4	9
Total	213	704

18. OTHER INCOME

As of 1 December 2008 the other income amounted to 69 T BGN, including an amount of 47 T BGN paid by the servicing company in connection with the granting of a bank loan, 20 T BGN representing a received demurrage from a property buyer in 2008 and 2 T BGN other income.

19. HIRED SERVICES EXPENSES

	As of 31.12.2008	As of 31.12.2007
Servicing company consideration	(3,135)	(3,517)
Charges and taxes under agreements for the sale of property	(384)	-
Charges and fees for the conclusion of rental agreements	(81)	(165)
Rents and maintenance	(62)	(186)
Licensed valuers remuneration	(58)	(59)
Audit fees	(58)	(111)
Legal fees	(39)	(15)
Advertisement	(37)	(243)
Document digitalization	(33)	-
Insurance costs	(21)	(6)
Internal audit fees	(20)	-
Postal services expenses	(13)	-
Expenses for the establishment of a mortgage	(12)	-
Charges of bondholders' depository bank	(11)	-
Fees for the management of available financial assets	(8)	(84)
Fees (Central Depository, Financial Supervision Commission, Bulgarian Stock Exchange, etc.)	(8)	(14)
Membership fee for the Bulgarian Association of Agricultural Land Owners	(5)	(7)
Court charges	(5)	-
Advisory services	(4)	(37)
Bond issue costs	-	(98)
Credit rating charges	-	(4)
Other hired services expenses	(31)	(44)
Total	(4,025)	(4,590)

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20. INTEREST EXPENSES

Interest expenses consist of:

	As of 31.12.2008	As of 31.12.2007
Bond issue interest	(1,370)	(562)
Bank loan interest	(120)	-
Interest expenses for finance lease agreements	(1)	(1)
Total	(1,491)	(563)

21. EMPLOYEE BENEFITS EXPENSES

	As of 31.12.2008	As of 31.12.2007
Wages	(36)	(43)
Management contracts	(116)	(58)
Freelance contracts	(6)	-
Social security expenses	(7)	(9)
	(165)	(110)

22. OTHER EXPENSES

	As of 31.12.2008	As of 31.12.2007
Bank loan charges (<i>reimbursed by the servicing company</i>)	(47)	-
Bank charges	(26)	(34)
Others	(22)	(14)
Total	(95)	(48)

In 2008 a bank loan was negotiated amounting to 4,000 T EUR at annual interest of 1-month EURIBOR plus 2.3%. There were no outstanding liabilities at the end of the year. Interest amounting to 120 T BGN has been accrued and paid for the period.

The bank charges for granting of the loan paid by the Fund amounted to 47 T BGN. They are at the expense of the servicing company and have been reimbursed to the Fund. This amount has been included in "bank fees and commissions" and in "other income" in the Fund's income statement for 2008.

In 2008 bank charges amounting to 26 T BGN have been paid to the servicing banks of the Fund.

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23. RELATED PARTY TRANSACTIONS

The Company has no related party transactions in accordance with the applicable definitions of article 12, paragraph 1 of the Additional provisions of the Public Offering of Securities Act.

24. EARNINGS / (LOSS) PER SHARE

The earnings / (loss) per share have been calculated using the net profit / (loss) and the weighted average number of outstanding shares for the year.

	As of	As of
	31.12.2008	31.12.2007
Profit / (Loss) for the year (thousand BGN)	<u>4,231</u>	<u>(3,693)</u>
Weighted average number of shares	<u>59,715,885</u>	<u>59,715,885</u>
Earnings / (Loss) per share (BGN)	<u>0.071</u>	<u>(0.062)</u>

25. FINANCIAL RISK MANAGEMENT**Strategy for the use of financial instruments**

The Company's goal is to achieve increase in capital and revenue through acquisition and subsequent sale of real estate and agricultural land in particular.

The Company is exposed to price risk, interest rate risk, credit risk, liquidity risk, market, capital and currency risk which result from the financial instruments owned by the Company. The Company's risk management policies are presented below.

Credit risk

Credit risk arises when the Company's counterparties are unable to pay their liabilities when they become due. The concentration of credit risk is divided between the purchases of investment property and financial assets for trading and the Company's trade receivables. The Company manages its exposure to credit risk by continuously monitoring the credit limits, receivables from intermediaries and the exposure concentration.

Liquidity risk

The Company monitors its cash flows, the maturity of its debt obligations and its liquidity in order to assess its exposure to liquidity risk. The Company maintains sufficient available cash in order to finance its activity and to diminish the cash flow fluctuations. The Company is able to provide for the necessary funds for its activity through various credit opportunities from financial institutions securing the loans with the owned investment property and through public issue of shares.

Interest rate risk

The company's activity is subject to risk from interest rates fluctuations regarding the kept sight deposits. The Company's corporate bonds bear fixed interest. The Company does not use special financial instruments to hedge interest rate risk regarding its interest-bearing deposits.

The Company assets' value depends on the dynamics of market interest rates. The Company is exposed to risk from interest rates fluctuations since the yield of interest-bearing assets changes as a

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result of these fluctuations. Regarding floating interest rates the Company is exposed to risk depending on the interest rate index to which the respective financial instrument is bound.

The maturity of the financial assets/liabilities is analyzed below:

As of 31 December 2008 Assets	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Non interest- bearing	Total
Receivables from regional representatives	-	-	-	-	560	560
Receivables under rental agreements	-	-	-	-	1,466	1,466
Other receivables	-	-	-	-	5	5
Interest receivables	-	-	-	-	20	20
Cash in hand	-	-	-	-	0	0
Cash at bank	3,884	1,500	-	-	72	5,456
Other receivables	-	-	-	-	2	2
Total assets	3,884	1,500	-	-	2,125	7,509

As of 31 December 2008 Liabilities	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Non interest- bearing	Total
Bond issues	-	-	-	19,558	563	20,121
Bank loans	-	-	-	-	-	-
Finance lease liabilities	-	-	6	4	-	10
Payables to regional representatives	-	-	-	-	81	81
Payables to suppliers and clients	-	-	-	-	641	641
Related parties payables	-	-	-	-	-	-
Tax liabilities	-	-	-	-	-	-
Total liabilities	-	-	6	19,562	1,285	20,853

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As of 31 December 2007 Assets	Less than 1 month	1 to 3 months	3 months to 1 year	1-5 years	Non interest- bearing	Total
Receivables from regional representatives	-	-	-	-	705	705
Receivables under rental agreements	-	-	-	-	207	207
Other receivables	-	-	-	-	24	24
Interest receivables	-	-	-	-	46	46
Cash in hand	-	-	-	-	28	28
Cash at bank	-	8,186	-	-	2,386	10,572
Total assets	-	8,186	-	-	3,396	11,582

As of 31 December 2007 Liabilities	Less than 1 month	1 to 3 months	3 months to 1 year	1-5 years	Non interest- bearing	Total
Payables to financial and non-financial institutions, including banks	-	-	-	19,558	-	19,558
Interest liabilities	-	-	-	-	561	561
Finance lease liabilities	-	-	5	10	-	15
Payables to agents	-	-	-	-	740	740
Payables to suppliers	-	-	-	-	77	77
Related parties payables	-	-	-	-	1,771	1,771
Payables to employees	-	-	-	-	53	53
Payables to social security institutions	-	-	-	-	3	3
Tax liabilities	1	-	-	-	-	1
Total liabilities	1	-	5	19,568	3,205	22,779

Foreign currency risk

The Company is exposed to foreign currency risk while performing transactions with financial instruments denominated in foreign currency. Transactions denominated in foreign currency incur gains and losses from exchange rate differences. As of 31 December 2008 the bond issue obligations are denominated in Euro. Under the currency board the Bulgarian lev is fixed to the Euro and does not give rise to foreign currency risk. At that date the Company did not have a currency exposure other than Lev or Euro.

Market risk

Market risk is a systematic risk which affects the value of all assets. It occurs from the characteristics of the macroeconomic environment and the country's capital market status. Market risk is beyond the Company's control and as a whole cannot be diversified. A basic method for the reduction of market risk and its components is the collection and processing of information about the macroeconomic environment and forecasting and adjusting the investment policy to the expected changes in the environment on the basis of that information.

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Capital risk

The Company manages its capital in order to maximize return for shareholders through optimization of its capital structure.

The Debt/Equity ratio is as follows:

	As of 31.12.2008	As of 31.12.2007
Debt	20,892	22,779
Cash and cash equivalents	(5,456)	(10,600)
Net debt	15,436	12,179
Equity	70,234	66,745
Net debt / Equity	0.22	0.18

Price risk

As of 31 December 2008 the Company has no investments in interest-bearing securities and financial instruments for trading which are exposed to price risk resulting from the insecurity of their future price.

26. EVENTS AFTER 31 DECEMBER 2008

For the period from 31 December 2008 till the financial statements preparation date the following significant events have occurred and need to be reported or disclosed in the financial statement:

- On 21 January 2009 Strahil Nikolov Vidinov, member and Chairman of the Board of directors filed a request on the grounds of article 233 of the Commercial Act to be dismissed from this position;
- Following a decision of the Board of directors from 5 February 2009 a second servicing company, Agromanagement AD was selected. The servicing company has been approved by the Financial Supervision Commission;
- Following a decision of the Board of directors and a subsequent entering in the Commercial Register of the Registration Agency to the Ministry of justice the procurator Georgi Petrov Lichev has been erased from the records as such. As of the financial statements preparation date no other procurator has been elected to take his place;
- The Company's Executive Director has notified Elana Property Management AD by means of a notary invitation dated 13 March 2009 of an established invalidity of the agreement for activity service, concluded in 2005 on account of breached provisions of article 114 of the Public Offering of Securities Act. With the same notification, on the grounds of article 55, paragraph 1 of the Obligations and Contracts Act the Company has demanded reimbursement of the paid contract considerations as well as the handing over of all documentation and possessions of the Company. Activity service has been assigned to the servicing company Agromanagement AD, Sofia, approved by the Financial Supervision Commission under terms considerably more favorable to the assignor than those of the agreement from 2005.