



Consolidated Annual Activity Report  
Independent Auditor's Report  
Consolidated Financial Statements

ELARG AGRICULTURAL LAND  
OPPORTUNITY FUND REIT

31 December 2010

Consolidated Financial Statements  
31 December 2010

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**CONSOLIDATED ANNUAL ACTIVITY REPORT  
OF ECONOMIC GROUP “ELARG AGRICULTURAL LAND OPPORTUNITY FUND” REIT  
FOR 2010**

**1. Systematized information about the economic group “ELARG AGRICULTURAL LAND OPPORTUNITY FUND” REIT (the Fund). Main counterparties.**

**1.1. Information about the Fund – the Parent Company**

The Parent 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.

On 22 May 2009, the General shareholders' meeting decided to change the Parent Company's name in accordance with its stock exchange ticker, that is “ELARG AGRICULTURAL LAND OPPORTUNITY FUND” REIT. The Fund's registered office and principal place of business has been changed with a resolution of the General Meeting of Shareholders, held on 5 July 2010, and currently is: Sofia, 16, Nikola Vaptsarov Blvd. The Parent Company has been established with share capital amounting to BGN 500,000. The Fund's capital has subsequently been increased three times and by the end of 2009 the Fund has issued a total number of 59,715,885 shares. “ELARG AGRICULTURAL LAND OPPORTUNITY FUND” REIT is one of the largest companies in Bulgaria investing in agricultural land. In August 2007 the Company issued EUR 10,000,000 of unsecured bonds maturing 3 August 2010 at 7% annual interest payable semiannually. In August 2010, the bondholders extended the bond maturity for a further three year term and the coupon during this additional term was set at 8.5%. The Fund completed a partial buyback of EUR 2,860,000 of its bonds ahead of the scheduled maturity.

The Parent Company has one-tier system of management. The Board of Directors consists of the following members:

- Andrey Valerievich Kruglykhin, Member and Deputy Chairman of the Board of Directors, elected for Executive Director by decision of the Board of Directors from 10 February 2010 and elected as a Deputy Chairman of the Board of Directors by decision of the Board of Directors from 8 September 2010 (elected as a member at the General shareholders' meeting held on 14 June 2007);
- Stefan Georgiev Stefanov, Member of the Board of Directors (elected at the General shareholders' meeting held on 30 June 2008)
- Ivo Stanev Gadev, Member of the Board of Directors (elected as a member at the General shareholders' meeting held on 22 May 2009)
- Dimitar Atanasov Valkov, Member and Chairman of the Board of Directors, elected for Chairman of the Board of Director by decision of the Board of Directors from 3 September 2010 (elected as a member at the General shareholders' meeting held on 05 July 2010);
- Dobromir Nikolaev Hristov, Member of the Board of Directors (elected as a member at the General shareholders' meeting held on 05 July 2010);

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As per a resolution of the Annual General Meeting of the Parent Company, held on 5 July 2010, Dimitar Atanasov Valkov and Dobromir Nikolaev Hristov join the Board of Directors, replacing Stoyan Lybomirov Malkochev, who had tendered his resignation, and Vasil Ivanov Vasilev. The resolution has been entered in the Commercial register administered by the Registry Agency to the Ministry of Justice.

Special purpose legislation governing the Parent Company's activity includes the Special Investment Purpose Companies Act, the Public Offering of Securities Act, the Act Against Market Abuse with Financial Instruments, Financial Instruments Market Act, Regulation 2/2003 of the Financial Supervision Commission (FSC) for the prospects of public offering of securities and for the disclosure of information from public companies and other emittents of securities (Regulation 2 of FSC), as well as the Commercial Act (CA).

The Fund acquired its license № 370 under a resolution of the Financial Supervision Commission ("FSC") dated 1 June 2005. The FSC constantly monitors and controls the Fund's compliance with applicable legislation and oversees the protection of investors (shareholders) of the Fund.

The term for which the Parent Company has been established is thirteen years running from its initial registration in the Commercial register.

### **Subsidiaries**

The Fund owns 100% of the equity of two subsidiaries, established with a decision of the Board of Directors on 29 April 2009:

- ELARG AGRO EOOD, UIN 200742256 with registered office and principal place of business: Sofia, 16, Nikola Vaptsarov Blvd. The company is registered in June 2009 with a capital of 5,000 BGN, which is increased to 50,000 BGN, and entered as of 23 March 2010 in the Commercial Register of the Registry Agency to the Ministry of Justice. The sole owner of capital is ELARG AGRICULTURAL LAND OPPORTUNITY FUND REIT.
- ELARG WIND EOOD, UIN 200742256, with registered office and principal place of business: Sofia, 16, Nikola Vaptsarov Blvd. The company has a capital of 5,000 BGN, the sole owner of the capital is ELARG AGRICULTURAL LAND OPPORTUNITY FUND REIT.

The two subsidiaries are approved by the Financial Supervision Commission (FSC) as servicing companies of the Fund.

Under a servicing agreement with the Fund of 16 October 2009 ELARG AGRO EOOD performs research and analysis to determine appropriate areas for the consolidation of agricultural land owned by the Fund. The servicing company performs all necessary activities to organize and carry out the consolidation process, performs research the possibilities for consolidation of the agricultural land of the Fund to enhance its rational and effective management, rehabilitation and sustainable development.

Under a servicing contract with the Fund of 16 October 2009, ELARG WIND EOOD performs research, analysis, and preparation of the necessary documents related to identifying real estate owned by the Fund appropriate for the development of wind parks. The servicing company organizes wind estimates and other climate characteristics, analysis of wind potential data, prepares strategy for realization of the commercial potential of the real estate, having the potential for development in this direction.

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### **1.1.1. ELARG AGRO EOOD**

Elarg Agro EOOD is registered in June 2009 in the Commercial Register of the Registry Agency under UIN 200741485, with registered office and principal place of business: Sofia, 16, Nikola Vaptsarov Blvd. The Company's main activity is as a servicing company by means of the Special Investment Companies Act, servicing of joint-stock companies with special investment purpose investing in agricultural land and providing of other services related to this activity; cultivating and taking care of agricultural land, production of agricultural production for the purpose of sale, cultivation, storage and transport of agricultural production, purchasing of goods and other material rights with the intention of resale in a initial, processed, and cultivated form, commercial representation and mediation, commissions, forwarding and transport arrangements, warehouse arrangements, license arrangements, advertising, communication, and program services and all other services unprohibited by law, with respect to the respective registration, license and other requirements. The Company has a capital of BGN 50,000, distributed in 1,000 shares of BGN 50. The Manager of the Company is Delian Ognemirov Pavlov.

By decision from the Board of Directors of the sole owner of the capital (Elarg Agricultural Land Opportunity Fund REIT) and by a decision of the FSC from 3 November 2009, Elarg Agro OOD is approved as a servicing company of the Fund.

### **1.1.2. ELARG WIND EOOD**

Elarg Wind EOOD is registered in June 2009 in the Commercial Register of the Registry Agency with UIN 200742256, with registered office and principal place of business: Sofia, 16, Nikola Vaptsarov Blvd. The Company's main activity is as a servicing company by means of the Special Investment Companies Act, management of real estate properties owned by a special investment purpose companies, completion of improvements on them and completion of related research and analysis, performing consultations on projects, related to the acquired from the special investment purpose companies real estate properties with the intention of increasing their value, research, design and development of complex sites in the field of power production, consulting activity in the field of power energetics, development and financing of energy projects, purchasing of goods and other material rights with the intention of resale in a initial, processed, and cultivated form, commercial representation and mediation, commissions, forwarding and transport arrangements, warehouse arrangements, license arrangements, advertising, communication, and program services and all other services unprohibited by law, with respect to the respective registration, license , and other requirements. The Company has a capital of BGN 5,000. Manager of the Company is Krassen Georgiev Podgorski.

By decision from the Board of Directors of the sole owner of the capital (Elarg Agricultural Land Opportunity Fund REIT) and by a decision of the FSC from 3 November 2009, Elarg Wind EOOD is for a servicing company of the Parent Company. Its main objective is to research and plan the potential of land for development of restorable energy sources, coordination and management of activities for development of energy parks.

## **1.2. Group's main counterparties**

ELARG AGRICULTURAL LAND OPPORTUNITY FUND REIT and its subsidiaries perform their activity in cooperation with the following main counterparties:

- Servicing companies

With a decision of the Board of Directors approved by the FSC on 20 February 2009 AGROMANAGE AD was appointed as a servicing company of the Fund. AGROMANAGE's

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registered office and principal place of business is at 16, Nikola Vaptsarov Blvd., Lozenetz District, Sofia, and is represented by Veselin Bojidarov Danev – Executive Director.

*On 13.09.2010 ELARG sent a notification letter No.EFZZ-01-109/13.09.2010 to the FSC about termination of the contract with the servicing company ATA Consult OOD.*

- Depository bank

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

- Debenture indenture trustee of the bond issue

The debenture indenture trustee of the Fund is "Investbank" AD with a registered office and principal place of business at: Sofia, Borovo district, bul. "Bulgaria" 83A; tel./fax +359 (2) 854 81 99.

### **1.2.1. Expert evaluators for 2010**

Following the provisions of articles 19 and 20 of the Special Investment Purpose Companies Act, the Fund concluded agreements and assigned the revaluation of its real estate holdings to the following independent expert evaluators:

- Values and Partnership OOD, with registered office and principal place of business in Ilinden housing complex, Block 54, Entrance G, Krasna poliana District, Sofia; UIN 130918848; represented by Stefan Dimitrov Tilev and Velislava Stoianova Tileva
- Sollers Solutions EOOD, with registered office and principal place of activity at Sofia, "Graf Ignatiev" 39 str., floor 1, UIN 103871554, represented by Dobromir Kostadinov Ganey

### **1.2.2 Registered auditors**

At their last General Meeting of ELARG, held on 5 July 2010, the shareholders appointed Grant Thornton OOD as the registered auditor of ELARG AGRICULTURAL LAND OPPORTUNITY FUND REIT for 2010. Grant Thornton's registered office and principal place of business is at 54, William Gladstone Str., Floor 3, Sofia 1000= The Company was registered by the Sofia City Court under company case No 9558/1995, UIN 831716285 and is represented by Mariy Georgiev Apostolov – Manager. Grant Thornton is a member of the Institute of Certified Public Accountants (ICPA). Grant Thornton's registration number in the ICPA's registered audit companies list is 32.

Registered auditor of ELARG AGRICULTURAL LAND OPPORTUNITY FUND REIT for the period 2008-2010 was Grant Thornton OOD. Deloitte Audit OOD was the registered auditor of the Fund for the period 2005-2007 and its office and principal place of business is at 103, Alexander Stambolijski Blvd., Sofia Towers (Mall of Sofia), Sofia 1303, UIN 121145199. Deloitte Audit is represented by Borislav Stratev – Manager and is a member of the Institute of Certified Public Accountants (ICPA). Deloitte Audit registration number in the ICPA's registered audit companies list is 33.

The General Shareholders' Meeting from 30 June 2008 appointed the DFK Anda Consulting as the internal auditor of the Fund.

DFK Anda Consulting OOD's registered office and principal place of business is Sofia, Krasno Selo District, bul. Bulgaria, entr. G, fl. 2, ap.14, UIN 175156434. The company is represented by Mrs. Antoaneta Tsanova Bazliankova.

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## 2. Investment goals and restrictions

- **Scope of business of the Companies from the Group**

ELARG AGRICULTURAL LAND OPPORTUNITY FUND REIT's scope of business is investment of cash funds raised through securities issues in agricultural land. The Group'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 with the intention of realizing the investment strategy of the Group.

The scope of business of the subsidiaries is presented in point 1.1.1. and 1.1.2. of this document.

- **Main goal of the Group**

In accordance with the Statute of ELARG AGRICULTURAL LAND OPPORTUNITY FUND REIT the main goal of the Parent Company's investment activities is directed towards increase of the Company's shares and dividend payments to the shareholders while maintaining and increasing the market value of shares of the Fund.

The subsidiaries as servicing companies actively help in the process of realizing the investment goals of the Parent Company in compliance with the legislation restrictions for companies with special investment purpose.

- **Investment restrictions**

In compliance with the provisions of the Special Investment Purpose Companies Act ELARG AGRICULTURAL LAND OPPORTUNITY FUND REIT may not acquire rights of property and other (restricted) real estate rights over real estate located outside the territory of the Republic of Bulgaria. The Company also may not acquire 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 only 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 Fund's assets.

In compliance with the Special Investment Purpose Companies Act the Parent 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 Group'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 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 Groups's price policy for each territory, in which the Group buys land, is a consequence of a combination of the following main criteria:

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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 Group 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 demanded 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 Group has achieved or believes to be able to achieve concentration of land, which prices increase the 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 Group's pricing policy takes into account the possibilities for natural consolidation of already bought land or new parcels pending purchase.

Geographic location

The Group's strategy is to allocate its portfolio in areas where the Group 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 Parent Company's Board of Directors decided to invest part of the temporary available cash funds in agricultural land for change of zoning designation and subsequent sale. These investments were planned to be limited to an amount and time period which would not hinder investments of the Fund in arable agricultural land.

From 2006 to 2008 the Fund acquired four plots of which two were successfully sold in 2008. These were in line with the resolution of the General meeting from 30 June 2008 that introduced Statutory limitations on investments other than those in agricultural land.

Our land in the Kambanite district remains our most important non core asset. With the rezoning of our plots to suitable for residential use with a long term perspective made possible by the changes of Sofia's General Zoning Plan in late 2009 it became possible to initiate the active preparations for marketing the plot to prospective buyers. Unfortunately, in the current depressed economic environment the actual transactions involving investment assets of such magnitude are very few. We are currently preparing a strategy for the gradual disposition of individual plots in Kambanite because the sale of the entire asset limits severely the universe of potential buyers.

- **Maximum permitted amount of Group management expenses**

In accordance with article 60 of the Parent Company's Statute, the maximum permitted amount of its management and servicing expenses is 8% of the carrying amount of the Fund's assets.

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In accordance with Article 1, par. 2 of the Special Investment Purpose Companies Act, company management expenses are all management and servicing expenses, including expenses for consideration of members of the Board of Directors of the Company, as well as expenses for consideration of servicing companies, registered auditor, evaluators and the depository bank.

- **Restrictions regarding sources of financing**

The Company's Statute does not contain any provisions regarding 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.

In accordance with Article 43 of the Fund's Statute, as amended by the General shareholders' meeting held on 5 July 2010, the Board of Directors is empowered within a period of up to 5 years from the entry into the Commercial Register of the Court to take decisions for capital increase of up to BGN 500,000,000 through the issue of new regular or preferred shares, including those with fixed or guaranteed dividend and/or with preferred redemption and/or with option for converting to regular shares. In accordance with the change of Art. 44 made by the General shareholders' meeting on 22 May 2009, in 5 years from registering the change in the Statute in the Trade Register, the Board of Directors can adopt resolutions for issuing bonds in BGN, Euro or other currency in a total amount of the bond issue up to 500,000,000 BGN, if there is a developed and accepted detailed plan for repayment of the principal and the interest of the issue.

### 3. Information about the Group's principal activity from its establishment until 31 December 2010 and during current financial year

#### Total investments in arable agricultural land for the period 2005 – 2010:

Indicators		As of 31.12.2010	As of 31.12.2009	As of 31.12.2008	As of 31.12.2007	As of 31.12.2006	As of 31.1.2005
<b>Total acquired land at year end (cumulative)</b>	<b>decares</b>	<b>284 817</b>	<b>293 034</b>	<b>293 172</b>	<b>251 167</b>	<b>143 790</b>	<b>20 700</b>
Acquired during the year	decares	5 873	68	42 735	107 413	123 090	20 700
Disposed during the year	decares	14 090	205	730	36	-	-
Average acquisition price during the year	BGN/decare	295	210	292	238	188	160
Average acquisition price (cumulative)	BGN/decare	221	219	219	207	184	160
Revaluated market price at year end per decare	BGN/decare	-	-	-	-	-	-
<b>Investments during the year</b>	<b>BGN</b>	<b>1 733 147</b>	<b>14 267</b>	<b>12 462 164</b>	<b>25 581 115</b>	<b>23 093 912</b>	<b>3 302 000</b>
Carrying amount of disposed land during the year	BGN	2 930 668	43 736	153 322	7 013	-	-
<b>Total investments at year end (cumulative)</b>	<b>BGN</b>	<b>63 051 866</b>	<b>64 249 387</b>	<b>64 278 856</b>	<b>51 970 014</b>	<b>26 395 912</b>	<b>3 302 000</b>

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**Investments in other agricultural land (for change of designation) for the period 2005 – 2010:**

<b>Indicators</b>		<b>As of 31.12.2010</b>	<b>As of 31.12.2009</b>	<b>As of 31.12.2008</b>	<b>As of 31.12.2007</b>	<b>As of 31.12.2006</b>	<b>As of 31.1.2005</b>
<b>Total acquired land at year end (cumulative)</b>	<b>decares</b>	-	183	183	271	188	-
Project Kambanite	decares	-	183	183	183	173	-
Project Detelinata	decares	-	-	-	41	16	-
Project Elin Pelin	decares	-	-	-	47	-	-
<b>Acquired land during the year</b>	<b>decares</b>	-	-	54	87	188	-
Project Kambanite	decares	-	-	-	15	173	-
Project Detelinata	decares	-	-	-	26	16	-
Project Elin Pelin	decares	-	-	54	47	-	-
<b>Sold (disposed) land during the year</b>	<b>decares</b>	-	-	142	5	-	-
Project Kambanite	decares	-	-	-	5	-	-
Project Detelinata	decares	-	-	41	-	-	-
Project Elin Pelin	decares	-	-	101	-	-	-
<b>Average acquisition price during the year</b>	<b>BGN/decare</b>	-	-	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	-	-
<b>Average acquisition price (cumulative)</b>	<b>BGN/decare</b>	-	111 273	109 792	95 777	99 340	-
Project Kambanite	BGN/decare	-	111 273	109 792	104 866	98 234	-
Project Detelinata	BGN/decare	-	-	-	137 058	111 679	-
Project Elin Pelin	BGN/decare	-	-	-	24 624	-	-
<b>Investments during the year</b>	<b>BGN</b>	-	316 309	2 694 432	7 806 975	18 712 299	-
Project Kambanite	BGN	-	316 309	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	-	-
<b>Carrying amount of sold land during the year</b>	<b>BGN</b>	-	-	8 574 322	592 824	-	-

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Project Kambanite	BGN	-	-	-	592 824	-	-
Project Detelinata	BGN	-	-	5 648 152	-	-	-
Project Elin Pelin	BGN	-	-	2 926 170	-	-	-
<b>Total investments at year end (cumulative)</b>	<b>BGN</b>	<b>20 362 869</b>	<b>20 362 869</b>	<b>20 046 560</b>	<b>25 926 450</b>	<b>18 712 299</b>	<b>-</b>
Project Kambanite	BGN	20 362 869	20 362 869	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 – 2010:**

Indicators		As of 31.12.2010	As of 31.12.2009	As of 31.12.2008	As of 31.12.2007	As of 31.12.2006	As of 31.1.2005
<b>Investments during the year</b>	<b>BGN</b>	<b>1 733 147</b>	<b>330 576</b>	<b>15 156 595</b>	<b>33 388 090</b>	<b>41 806 211</b>	<b>3 302 000</b>
Carrying amount of disposed land during the year	BGN	2 930 668	43 736	8 727 643	599 837	-	-
<b>Total investments at year end (cumulative)</b>	<b>BGN</b>	<b>83 414 734</b>	<b>84 612 255</b>	<b>84 325 415</b>	<b>77 896 464</b>	<b>45 108 211</b>	<b>3 302 000</b>
Fair value of arable agricultural land	BGN	91 463 812	90 931 344	-	80 427 000	34 509 600	4 149 000
Carrying amount of arable agricultural land at year end	BGN	61 699 587	64 249 387	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	15 001 216	17 593 140	20 046 560	25 926 450	18 712 299	-
<b>Carrying amount of Investment property and Assets held for sale</b>	<b>BGN</b>	<b>76 700 803</b>	<b>81 842 528</b>	<b>84 325 415</b>	<b>77 896 464</b>	<b>45 108 211</b>	<b>3 302 000</b>

**Assets and disposal groups, classified as held for sale**

Project	Area, decares	Average price, BGN/m <sup>2</sup>	Carrying amount in thousand BGN 31.12.2010	Carrying amount in thousand BGN 31.12.2009
Project Kambanite	183	81.97	15 001	17 593

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**Dynamics of investments in arable agricultural land for the period 2005 – 2010:**

Month	Purchased land during the month, decares	Acquisition price during the month, BGN/decare	Total acquired land (cumulative), decares	Total investments, BGN	Acquisition price, 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
<b>December 2005</b>	<b>7 300</b>	<b>159</b>	<b>20 700</b>	<b>3 301 000</b>	<b>159</b>
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
<b>December 2006</b>	<b>5 800</b>	<b>198</b>	<b>143 800</b>	<b>26 396 000</b>	<b>184</b>
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
<b>December 2007</b>	<b>8 300</b>	<b>290</b>	<b>251 200</b>	<b>51 970 000</b>	<b>207</b>
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
<b>December 2008</b>	<b>-</b>	<b>-</b>	<b>293 172</b>	<b>64 278 862</b>	<b>219</b>
January 2009	-	-	293 172	64 278 862	219
February 2009	-	-	293 172	64 278 862	219
March 2009	-	-	293 172	64 278 862	219

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April 2009	-	-	293 172	64 278 862	219
May 2009	-	-	293 172	64 278 862	219
June 2009	-	-	293 172	64 278 862	219
July 2009	-	-	293 172	64 278 862	219
August 2009	-138	213	293 034	64 249 387	219
September 2009	-	-	293 034	64 249 387	219
October 2009	-	-	293 034	64 249 387	219
November 2009	-	-	293 034	64 249 387	219
<b>December 2009</b>			<b>293 034</b>	<b>64 249 387</b>	<b>219</b>
January 2010	-	-	293 034	64 249 387	219
February 2010	-	-	293 034	64 249 387	219
March 2010	-	-	293 034	64 249 387	219
April 2010	-	-	293 034	64 249 387	219
May 2010	3	98	293 036	64 249 651	219
June 2010	-	-	293 036	64 249 651	219
July 2010	27	185	293 063	64 254 563	219
August 2010	-46	207	293 017	64 245 010	219
September 2010	-1 685	217	291 332	63 879 487	219
October 2010	-9 154	205	282 178	61 999 746	220
November 2010	-	-	282 178	61 999 746	220
<b>December 2010*</b>	<b>2 639</b>	<b>399</b>	<b>284 817</b>	<b>63 051 866</b>	<b>221</b>

Note – as of 31.12.2010

As a result of purchases the Group has acquired 4,623.468 decares;

As a result of exchanges the Group has acquired 1,249.667 decares;

As a result of sale the Group has disposed 12,768.592 decares;

As a result of exchanges the Group has disposed 1,231.583 decares

As a result of court order the Group has disposed assets in the amount of 89.79 decares;

**Allocation of investments in arable agricultural land by regions as of 31 December 2010:**

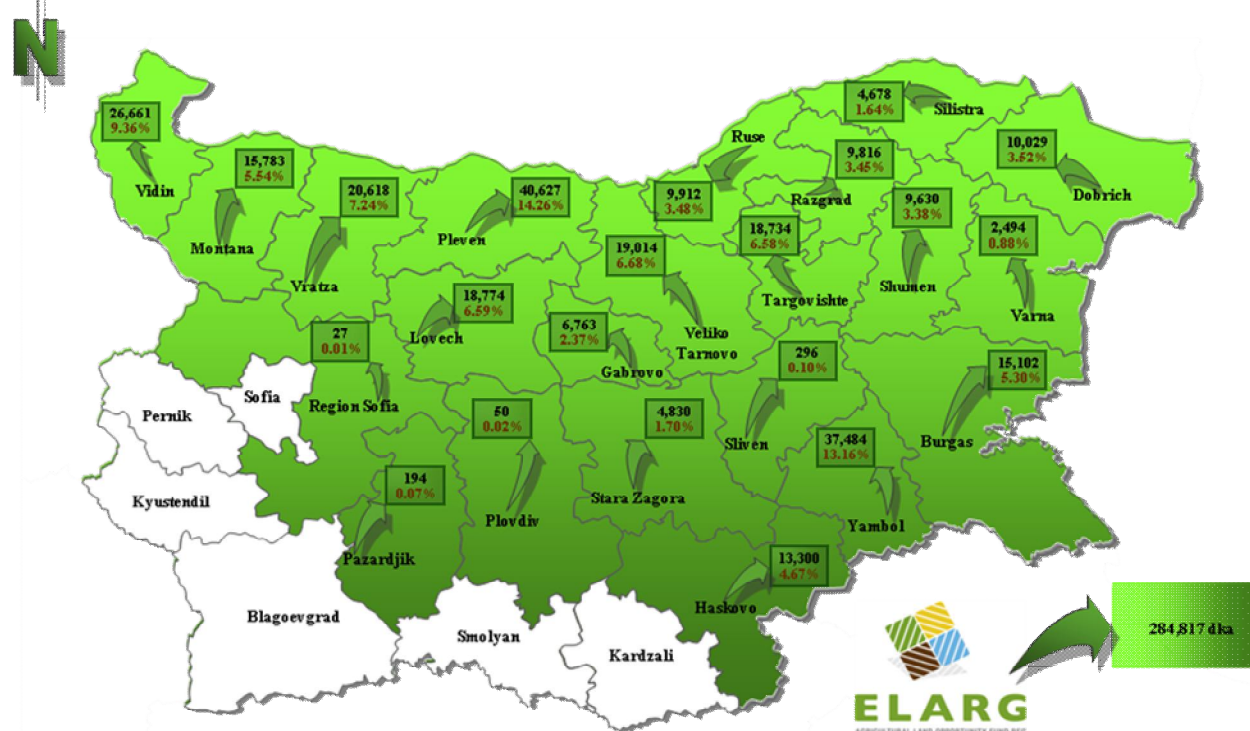
Region	Owned land, decares	Share, %	Acquisition cost, BGN	Average acquisition price BGN/decare
Pleven	40 627	14.26%	8 865 476	218
Yambol	37 484	13.16%	8 695 332	232
Vidin	26 661	9.36%	4 819 420	181
Vratsa	20 618	7.24%	4 623 763	224
Veliko Tarnovo	19 014	6.68%	3 887 546	204
Lovech	18 774	6.59%	3 665 020	195
Targovishte	18 734	6.58%	3 659 899	195
Montana	15 783	5.54%	3 479 489	220
Burgas	15 102	5.30%	3 718 379	246
Haskovo	13 300	4.67%	2 638 160	198
Dobrich	10 029	3.52%	3 315 281	331
Ruse	9 912	3.48%	2 197 399	222
Razgrad	9 816	3.45%	2 504 356	255
Shumen	9 630	3.38%	1 844 606	192
Gabrovo	6 763	2.37%	1 242 628	184
Stara Zagora	4 830	1.70%	979 622	203
Silistra	4 678	1.64%	1 079 047	231
Varna	2 494	0.88%	1 724 979	692
Sliven	296	0.10%	58 789	199
Pazardjik	194	0.07%	38 154	197
Plovdiv	50	0.02%	10 107	203
Sofia Region	27	0.01%	4 415	162
<b>Total</b>	<b>284 817</b>	<b>100%</b>	<b>63 051 866</b>	<b>221</b>

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### Allocation of investments in arable agricultural land by categories as of 31 December 2010:

Category	Area, decares	Share, %
I-II	10 618	3.7%
III-V	232 743	81.7%
VI	27 359	9.6%
VII-X	14 097	4.9%
<b>Total</b>	<b>284 817</b>	<b>100%</b>

### Allocation of investments in arable agricultural land by region as of 31 December 2010:



It can be seen from the presented activity spreadsheets that as of 31 December 2010 the Fund owned approximately 284,817 decares of arable agricultural land acquired at an average price of BGN 221 as well as 183 decares of agricultural land in the Kambanite area, Sofia where there was a zoning change from agricultural land to residential land with a long-term perspective.

The market share of Elarg Agricultural Land Opportunity Fund REIT is the highest among the rest special investment purpose companies which invest in arable agricultural land. With the beginning of the economic crisis and after the unreasonable growth in agricultural land prices in 2008 and the beginning of 2009, the Group discontinued the acquisition of agricultural land with the intention of protection against acquisition of lands with unreasonably high values. In 2010 the Fund resumed acquisition of agricultural land in perspective villages.

Elarg Agro EOOD performs consolidation activity and management of the consolidated lands from the Fund.

Elarg Wind EOOD performs research and analysis of the results about the presence of potential for the realization of wind projects on land owned by the Fund.

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#### 4. Management of the acquired agricultural land

##### 4.1. Renting out/leasing of purchased properties

More than 80% of the land, purchased by the Group, 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 Group. The Fund tries not to 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. Agromanage AD 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 Group maintains an electronic database of the rental status of each purchased property which is updated on a monthly basis. The Fund was assisted in its rental activity by District Coordinators during the past years. In the beginning of 2009 this practice was discontinued.

The expected changes in revenues for the next years are based on increasing rental incomes as well as planned sale of agricultural land when the change in designation is completed. The cash flows from rent are estimated on a 10-20% base yearly increase of the rent for the period 2008-2012, in accordance with the signed 4-year contracts. The expectations of the Group are for a gradual increase to 84% of the ratio of leased land with active contracts to the total acquired land.

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 2010/2011 agricultural year.

Agricultural years	Accrued in 2010 (thousand BGN)	Paid in 2010 (thousand BGN)	Remaining amounts after 31.12. 2010 (thousand BGN)
2005/2006	-	-	-
2006/2007	-	-	-
2006/2007	-	-	-
2007/2008	1	100	225
2008/2009	93	1 033	581
2009/2010**	3 575	3 339	1 083
2010/2011**	1 230	123	4 797

\* The total accrued revenues from rental activities for the agricultural year 2009/2010 amount to 4,548 BGN, including 973 thousand BGN accrued during the last quarter of 2009.

\*\* The expected revenues from rental activities for the agricultural year 2010/2011 amount to 4,920 thousand BGN.

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Agricultural season	Maturity year	Total acquired land, decares*	Rented-out, decares	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	293 171	220 063	75%	17	3 842
2009/2010	2010	293 034	227 518	78%	20	4 548
2010/2011**	2011	284 817	226 483	80%	22	4 920

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

\*\* Data for the period 2010 – 2011 is forecasted and indicative.

#### 4.2. Land concentration and consolidation activities

The Group's strategy and activities for the concentration and consolidation of acquired land may be divided into the following 5 stages:

##### June 2005 – December 2006

The Fund buys land in almost all regions of the Danube Plain and Dobrudzha: Vidin, Vratza, Montana, Plevna, 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 2009

During this period the Fund considered the development of a plan 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 was undertaken with the intention of expanding as much as possible the land concentrated in one territory. Cultivation of own agricultural land began.

##### January 2010 – December 2011

The Fund sold some of its investment portfolio that allowed for the partial buyback of our outstanding bond issue, the reduction of the Group's overall indebtedness and interest expense. Simultaneously, we resumed the purchase of agricultural land in regions with investment potential.

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## 5. Systematized information from the Group's Consolidated financial statements for 2010

Consolidated statement of financial position as at December 31, 2010

<b>ASSETS</b>	<b>As at 31.12.2010</b>
	<b>BGN'00</b>
<b>Non-current assets</b>	
Investment property	61 699
Intangible assets	18
Property, plant and equipment	130
Other receivables and prepayments	443
Deferred tax asset	51
<b>Total non-current assets</b>	<b>62 341</b>
<b>Current assets</b>	
Inventory	833
Trade receivables	2 334
Other receivables and prepayments	249
Receivables from agricultural subsidy	342
Cash and cash equivalents	48
<b>Total current assets</b>	<b>3 806</b>
Assets and disposal groups, classified as held for sale	15 001
<b>Total assets</b>	<b>81 148</b>
<b>EQUITY AND LIABILITIES</b>	<b>As at 31.12.2010</b>
	<b>BGN'000</b>
<b>Capital and reserves</b>	
Share capital	59 716
Share premium	13 453
Accumulated loss	(9 162)
<b>Total equity</b>	<b>64 007</b>
<b>Liabilities</b>	
<b>Non-current</b>	
Debenture loan	13 965
Obligations under finance lease	15
<b>Total non-current liabilities</b>	<b>13 980</b>
<b>Current</b>	
Trade payables	2 384
Debenture loan	-
Interest on debenture loan	455
Obligations under finance lease	5
Other payables	317
<b>Total current liabilities</b>	<b>3 161</b>
<b>Total liabilities</b>	<b>17 141</b>
<b>Total equity and liabilities</b>	<b>81 148</b>

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Consolidated statement of comprehensive income

	<b>Year ended December 31, 2010</b> <b>BGN'000</b>
Revenue from investment property rentals	4 766
Revenue from production sales	940
Cost of sales of production	(1 774)
Loss from production sales	(834)
Revenue from sale of non-current asset	5 410
Cost of sale of non-current assets	(2 966)
Profit from sale of non-current assets	2 444
<b>Gross Operating Profit</b>	<b>6 376</b>
Other income	497
Servicing company consideration	(2 039)
Administrative expenses	(2 129)
Impairment of assets	(4 946)
Depreciation and amortization of non-financial assets	(55)
Other expenses	(182)
<b>Operating profit / (loss)</b>	<b>(2 478)</b>
Finance costs	(1 439)
Finance income	56
<b>Profit/(loss) before taxation</b>	<b>(3 861)</b>
Income tax expense	51
<b>Profit/(loss) for the year</b>	<b>(3 810)</b>
Other comprehensive income for the year, net of tax	-
<b>Total comprehensive income for the year</b>	<b>(3 810)</b>
<b>Earning/(loss) per share:</b>	<b>BGN</b>
Basic earnings per share:	
Earnings/(Loss)	<b>(0.064)</b>

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**A detailed description of the Group's trade and other receivables as of 31 December 2010 is presented below:**

	<b>As at 31.12.2010</b>
	<b>BGN'000</b>
Receivables under rental agreements for 2010/2011	1 215
Receivables under rental agreements for 2009/2010	1 083
Awarded receivables	-
Prepayments	37
Tax credits (VAT recoverable)	114
Interest receivables	-
Receivables from agricultural subsidy	342
Other receivables	134
<b>Total:</b>	<b>2 925</b>

**A detailed description of the Group's current trade and other payables of the Group as of 31 December 2010 is presented below:**

	<b>As at 31.12.2010</b>
	<b>BGN'000</b>
Servicing company considerations	1 339
Amounts payables to suppliers	503
Prepayments for sales of investment properties	450
Amounts payable to customers	86
Prepayments for rentals	117
Tax liabilities	117
Amounts payable to employees	57
Guarantee remuneration under management contract	16
Finance lease liabilities	5
Other	16
<b>Total:</b>	<b>2 706</b>

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A detailed description of administrative expenses for 2010 is presented below:

	As at 31.12.2010
	BGN'000
Office stationary	(7)
Public utilities	(3)
Advertising materials	(5)
Fuel and maintenance parts for vehicles	(15)
Legal fees	(312)
Consultancy and accounting services	(326)
Insurance of receivables	(87)
Fees (Central Depository, Financial Supervision Commission, Bulgarian Stock Exchange, etc.)	(68)
Internal audit remuneration	(48)
Rent and maintenance	(42)
Internet and communications	(25)
Licensed appraisers remuneration	(18)
Notary fees	(11)
Audit services	(15)
Marketing and PR expenses	(13)
Postal and courier services	(3)
Court charges	(10)
Membership fee for the Bulgarian Association of Agricultural Land Owners	(5)
Transportation expenses	(4)
Employee benefit expenses	(403)
Unrecognised tax credit (partial VAT recoverable)	(519)
Receivables written-off	(2)
Travel and transportation	(100)
Net book value of agricultural land written-off as per court orders	(15)
Representative expenses	(13)
Intangible assets in process of acquisition, written off	(23)
Other	(37)
<b>Total:</b>	<b>(2 129)</b>

Detailed information about the Fund's financial position is presented in the 2010 financial statements and the accompanying notes.

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**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)**

- **Information on large transactions and on transactions with significant impact on the Group's business**

In 2010 there were no large transactions, in excess of 5 % of revenue or with significant impact on the Group's business, except for the following:

- (i) the sales of agricultural land disclosed in Note 5 to the Financial Statements;
- (ii) servicing companies' remuneration disclosed in Note 25 to the Financial Statements;
- (iii) the 2009/2010 lease agreement with Sole Proprietor Agro-Svetlozar Dichevski with consideration of BGN 546 thousand, fully paid on 1 October 2010;
- (iv) the 2009/2010 lease agreement with Hera Agro EOOD with consideration of BGN 280 thousand, fully paid on 11 October 2010;
- (v) the 2010/2011 lease agreement with Sole Proprietor Agro-Svetlozar Dichevski with consideration of BGN 695 thousand;

- **Information on transactions other than the ordinary activities of the Group or transactions conducted under circumstances significantly different from the current market conditions**

No transactions other than the ordinary activities of the Group or transactions conducted under circumstances significantly different from the current market conditions have been conducted in 2010

During the accounting period the subsidiaries have not signed any contracts which are outside the ordinary activities of servicing the issuer's operations. For Elarg Agro EOOD and Elarg Wind EOOD there were no events with extraordinary character, having significant influence over their activity and their realized revenues and expenses.

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

No off-balance sheet transactions have been conducted in 2010

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

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. Detailed information about the Fund's activities in Bulgaria is presented in section 3 of the current activity report.

According to art. 18 SIPCA the main direction for development of Elarg Agro EOOD and Elarg Wind EOOD is the activity as servicing companies by the meaning of SIPCA. The subsidiaries have been directed their activities to management of lands bought by the Fund and have not been acquired investments into the country or abroad, that are unusual for their activity.

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- **Information about agreements in which the Group 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 Parent Company successfully placed an unsecured bond issue with a total amount of EUR 10,000,000. The issue had an initial 3-year maturity at annual fixed rate of 7% payable semiannually. The borrowed funds are used in compliance with the Fund's investment policy. In August 2010 the bond issue's maturity was successfully extended for a further 3 years at an annual interest of 8,5 %. By the end of 2010 the Fund manage to buy back and cancel EUR 2,860,000 face value of bonds.

On 1 February 2010 a bank loan – overdraft was arranged for the amount of EUR 340,000. In February 2010 the Fund drew down but, subsequently, fully repaid the maximum amount under this facility.

The subsidiaries have not entered into loan arrangements as borrowers.

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

The Group 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 Parent Company did not issue new securities in 2010.

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

In line with the improvement in the work of our servicing company Agromanage, the Fund managed to significantly improve its collection rate. In 2010 we collected 77 % more (vs. 2009) rents and, for the first time in the Fund's history, the rental receivables actually collected (BGN 4,595 thousand) exceeded the accrued rental income for 2009/2010 economic year (BGN 4,548 thousand). With the successful buyback and partial retirement of outstanding bonds the Fund managed to significantly reduce its leverage.

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

The management of the Fund believes that our ongoing investment income and transactional activity secure sufficient cashflow for the timely servicing of the financial obligations of the Company.

- **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**

It is expected that in 2011 our investments would be limited to the funding available by internally generated free cashflow.

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

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

- **Information about the main characteristics of the Group'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. In accordance with the General meeting held on 5 July 2010, the Fund has selected an audit committee in accordance with the Independent financial audit law with the following members:

Daniela Stoyanova Durina– member and Chairman of the Audit committee  
Ivo Stanev Gudev – member of the Audit committee  
Stefan Georgiev Stefanov – member of the Audit committee.

As per a resolution of the Annual General Meeting of Shareholders of the Parent Company, held on 5 July 2010, Daniela Stoyanova Durina joined the Audit Committee as a member and Chairman, replacing Simeon Parvanov Milev.

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

As per a resolution of the Annual General Meeting of the Parent Company, held on 5 July 2010, Dimitar Atanasov Valkov and Dobromir Nikolaev Hristov joined the Board of Directors, replacing Stoyan Lybomirov Malkochev, who has tendered his resignation, and Vasil Ivanov Vasilev. The resolution has been entered in the Commercial register administered by the Registry Agency to the Ministry of Justice.

Dimitar Atanasov Valkov was elected for Chairman of the Board of Director by decision of the Board of Directors from 3 September 2010.

Andrey Valerievich Kruglykhin was elected for Deputy Chairman of the Board of Directors by decision of the Board of Directors from 8 September 2010.

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

Pursuant to article 50 of the Fund's Statute Each of the members of the Board of Directors receives a monthly flat rate remuneration, which may not exceed 10 (ten) times the minimum wage in the country. The Executive Director, separately and independently from the above, receives a monthly remuneration at the amount of EUR 6 250.

Remuneration of the members of the Board of directors due for 2010 has been paid-off as of year end.

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

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 2010 owned 3,962 shares.

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- **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 (the amounts are in BGN):

Type of legal proceedings	Number	Amount of the potential loss for the Fund, BGN	Amount recovered, BGN	Remaining amount, BGN
Settlements against the Fund which are concluded with the suspension of the Fund from the property.	6	45 645		
Pending cases for which the Fund is a respondent and related proceedings for recovery of amounts paid for property from which the Fund may be suspended.	6	48 484		
Executive court cases on the basis of issued receiving orders on promissory notes payable to the Fund	4	165 177	0	165 177
Pending cases for which the Fund is a plaintiff	8	127 424		
Settlements for which the Fund has been a plaintiff	0	0	0	0

We also present information about the progress of proceedings initiated by the Fund against companies from the Elana group:

1. Arbitration case VAD 344 in the Arbitration Court of the Bulgarian Chamber of Commerce and Industry - the Fund is the plaintiff, and "Elana property management" AD is the respondent. Subject of the dispute is a reimbursement by the respondent of undue received payments under a service agreement between the two sides, signed in violation of the imperative decrees of Art. 114 of the Public Offering of Securities Act. As of the present report's preparation date, the arbitration is pending and the next session of the Arbitration Panel is scheduled for 12 May 2011.
2. On 7 October 2010 "Elana property management" AD increased its counterclaim for liquidated damages against the Fund under the Arbitration case outlined above to BGN 10,45 million. We duly informed the FSC with our letter EFZZ-01-1711/29.10.2010 and promptly disclosed this information to the market via a press release on the same date.
3. Commercial case #2057/2009 in the Sofia City Court, initiated by claim from "ELARG AGRICULTURAL LAND OPPORTUNITY FUND" REIT against Elana Fund Management AD for reimbursement of undue received payments under a portfolio management contract for an institutional investment, signed in a violation of the imperative decrees of Art. 114 of the Public Offering of Securities Act. As of the present report's preparation date, the lawsuit is pending, the next court session is scheduled for 13 May 2011.

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4. Commercial case #1592/2009 in the Sofia City Court, initiated by a statement of claim from “ELARG AGRICULTURAL LAND OPPORTUNITY FUND” REIT against the previous members of the Board of Directors – Georgi Lichev, Georgi Milanov, Peter Bojkov for damages caused by them to the Fund. As of the present report’s preparation date, the lawsuit is pending, the next court session is scheduled for 6 June 2011.
5. “ELARG AGRICULTURAL LAND OPPORTUNITY FUND” REIT filed two additional lawsuits in the Sofia City Court against Elana Trading AD seeking restitution of sums paid und contracts of 19 August 2005 and 19 April 2006 which we consider null and void in line with Sec 114 of the Public Offering of Securities Act. At the present moment, the respondents have been served and after the exchange of briefs, the dates for the court hearings will be set.
6. Penal investigation initiated by the Sofia District Prosecutor 72624/10. The investigation is against Georgi Petrov Lichev in his capacity of former Executive Director of Elana Holding AD and Elana Agricultural Land Opportunity Fund REIT for a crime under Sec 220 (2) and (1) of the Penal Code. The pretrial discovery is now pending and a number procedural investigative activities have been carried out. At the moment the discovery is pending and no person has been charged.

- **Investor Relations Director**

In compliance with article 116d of the Public Offering of Securities Act, the Board of directors of Elarg Agricultural Land Opportunity Fund REIT has appointed on a labour contract Silvia Georgieva Nikolova as an Investor Relations Director. She has an adequate qualification and experience for the fulfillment of her duties; she is not a member of the managing and supervisory body or a 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 responsible for:

- (a) providing information about the financial and economic position of the Fund, for general meetings and any other information to which shareholders and investors have the right to receive according to current legislation framework;
- (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 of the meetings of the Board of Directors.

As of 26 May 2010, ELARG appointed on a labour contract Maria Ivanova Iotova as Acting Investor Relations Director until Silvia Nikolova’s return. Maria Iotova meets all requirements of the Public Offering of Securities Act, including those of Article 116g, paragraphs (1) and (6). A notification letter with outgoing No. EFZZ-01-279/28.05.2010 has been sent to the Financial Supervision Commission.

Investors may receive additional information about the Fund from the Investor Relations Director every business day from 9 a.m. until 6 p.m. at the following address: Sofia, 16, Nikola Vaptsarov Blvd., fl.1, tel.: +359 (2) 868 1 868.

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## 7. Information in accordance with article 41, paragraph 1, point 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 80% 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 cultivated rented out land as well as expected rental income per year:

Agricultural season	Maturity year	Total acquired land*, decares	Rented-out, decares	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	293 171	220 063	75%	17	3 842
2009/2010	2010	293 034	227 518	78%	20	4 548
2010/2011**	2011	284 817	226 483	80%	22	4 920

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

\*\* Data for the period 2010 – 2011 is forecasted and indicative.

Despite the sale of a part of our agricultural land portfolio in order to fund the buyback of bonds, we are confident that the positive trend in our rental revenues will continue. The trend is supported by higher subsidy payments, better pricing of soft commodities, and the improvement in the activities of our servicing companies.

We insured in the Bulgarian Export Insurance Agency the major part of our rental revenues from corporate tenants against the risk of non-payment for 2009/2010 and 2010/2011

- **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**

For the period from 1 January 2010 until the present report's preparation date the Fund 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. In November 2010 ELARG WIND EOOD successfully completed a full year of measurements and analysis of the wind patterns and velocity at our plot in Belogradetz (Vetreno).

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31 December 2010

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

As of 31 December 2010 the accrued receivables from rental agreements for the agricultural 2009/2010 amount to 4,548 thousand BGN. As 31 December 2010 3,339 thousand BGN have been paid to the Fund. The receipts have increased during the first months of 2011 and as of 25 March 2011 the share of uncollected receivables from rental agreements for the agricultural year 2009/2010 is 17,80% from the total accrued revenues from rental agreements as of 31 December 2010. Currently these receivables continue to be paid to the Fund, which gives a 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 of the Financial Supervision Commission**

- **Equity structure of the Fund**

As of 31 December 2010 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 2010 amounts to about BGN 73.2 million.

The following table presents the Fund's capital structure from its establishment until 31 December 2010:

<b>Share capital structure (thousand BGN)</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Initial share capital	-	-	-	-	-	500
Share capital increase	-	-	-	-	39 784	19 432
Share premium	-	-	-	-	9 946	3 507
<b>Total share capital and premium</b>	<b>73 169</b>	<b>73 169</b>	<b>73 169</b>	<b>73 169</b>	<b>73 169</b>	<b>23 439</b>

Elarg Agricultural Land Opportunity Fund REIT has issued an emission of corporate bonds for the amount of EUR 10 million. During the reported period the bond maturity was extended for a further three year term; A total of 2 860 of bonds worth EUR 2.86 million have been bought back and cancelled.

- **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**

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

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31 December 2010

- **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	%
QVT FUND LLP	29 560 880	49.50%
Allianz Group Bulgaria	10 017 373	16.78%
Kairos Investments (CREDIT SUISSE SECURITIES)	4 858 834	8.14%
Doverie Group	2 991 766	5.01%
Minority owners	12 287 032	20.58%
<b>Total</b>	<b>59 715 885</b>	<b>100.00%</b>

\* Information as of 31 December 2010 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, all 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;

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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 1, point 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 the new amendment accepted by the General shareholders' meetings, held on 22 May 2009 and 5 July 2010 to article 43 of the Company's Statute, within up to 5 (five) years as of registration of the amendment to the Articles of Association of the Company in the Commercial Register, the Board of Directors may in compliance with the provisions of the present Articles of Association and the effective legislation adopt resolutions for increase of the registered capital of the Company up to the nominal amount of 500 000 000 leva through the issue of new ordinary or preferred shares admissible by the law, including such with fixed or guaranteed dividend and/or with a redemption privilege and/or with a conversion/exchange in/for ordinary shares option. In the decision on capital increase, the Board of Directors shall determine the amount and purpose of each increase, the number and the type of the new shares, the rights and the privileges in them; the term and the conditions for the transfer of the rights under § 1, item 3 of the POSA, issued against the existing shares, the term and the conditions for subscription of the new shares, the amount of the issue value and the time and the conditions for its payment, the investment intermediary, to which the subscription has been entrusted.

In compliance with the new amendment accepted by the General shareholders' meetings held on 22 May 2009 and 5 July 2010 to Article 44, within 5 (five) years after entering of the amendment of the Statute of the Company into the Commercial Register, the Board of Directors may adopt decisions for the issuance of bonds in BGN, EUR or other currency, in the total amount of the bond issue of BGN 500 000 000, if there has been prepared and adopted a detailed plan for repayment of the principal and the interests on the loan. The type of the bonds, the method of formation of the income thereon, the amount and all other parameters of the bond issue shall be determined by the decision of the Board of Directors, in compliance with the current legislation and the Statute.

Regardless of the provision of the previous paragraph, within up to 5 (five) years as from the registration of the amendment to the Articles of Association of the Company in the Commercial Register, the Board of Directors may adopt resolutions for the issue of bonds that may be converted into ordinary, or replaced for ordinary, shares (convertible or exchangeable), given that the total amount of the bond loan is up to 500 000 000 leva.

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

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- **Agreements between the Fund 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 (See 1.2 above)

3. Selection of an expert evaluator 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 independent expert evaluators that have revaluated the acquired investment property for 2010 in compliance with article 19 of the Special Investment Purpose Companies Act. (See 1.2 above).

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.

5. The auditor for 2010, selected at the last General shareholders' meeting held on 5 July 2010, 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 period 2008-2009 Elarg Agricultural Land Opportunity Fund REIT's auditor has been Grant Thornton OOD, and for the previous years - Deloitte Audit OOD

#### **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 ELARG 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.*

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- DIMITAR ATANASOV VALKOV – Member and Chairman of the Board of Directors controls directly 50% in GenTo Mill OOD.

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:

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

1. Bulgaria Net AD, as an Executive Director and Deputy Chairman of the Board of Directors.
2. Allianz Bank Bulgaria – manager and member of audit committees of companies within Allianz Group.

**IVO STANEV GADEV** - Member of the Board of Directors; declares that he is appointed on a labour contract as a Deputy Executive Director of Allianz Bank Bulgaria.

The rest of the members of the Board of directors declare that they do not participate in other managing and supervisory bodies.

- 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 Elarg Agricultural Land Opportunity Fund REIT or exert control over the Fund.

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, resp. votes at the General meeting.

- 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 187d 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 internationally accepted standards for good corporate governance practices**

In compliance with the requirements of the Public Offering of Securities Act about the creation and implementation of the internationally accepted standards of good corporate governance, in 2005 the Board of Directors approved a Program for the Implementation of the Internationally Accepted Standards of Good Corporate Governance. The Board of Directors adopted a new and improved Program for the Implementation of International Good Corporate Management on 31 March 2011. The control for compliance with the rules of the program, guaranteeing the good management of the Group's investments, is carried out by the Board of Directors and the Audit Committee. This Program is strictly adhered to by ELARG AGRICULTURAL LAND OPPORTUNITY FUND REIT.

Consolidated Annual Activity Report  
31 December 2010

**12. Significant events occurred between 31 December 2010 and the annual closing of the accounts**

- On January 6 the Board of Directors decided to stop further investment into the development of Vetreno wind park in view of the substantial regulatory uncertainty associated with rezoning arable land for renewable energy projects and their connection to the grid.
- On February 18 the Board of Directors resolved to allow for targeted sales of land in order to optimize the footprint of the Fund's holdings and reduce its financial leverage

**13. Future development of the Fund and its subsidiaries in 2011**

Elarg Agricultural Land Opportunity Fund REIT plans to enhance the rental income of our land by increasing our revenues and collection rates into 2011. In addition, we plan to continue with the optimization of our portfolio by concentrating and increasing our average holdings in individual villages.

**14. Changes in Company's share price**

During the reporting period the Company's share price varied between BGN 0,53 and BGN 0.77. As of the present report's date the Company's shares were traded at BGN 0.70. From the Fund's establishment until the end of 2007 the share price 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 an almost 75% drop in their market price. We believe that the management's more conservative approach to the selection and subsequent revaluations of assets and the gradual increase in rents will eventually result in the reversal of the depressed trend in our share price.

**15. Significant Post Balance Sheet Events**

Land Investment has refunded in full the outstanding advance payment for purchase of land in the amount of BGN 443 thousand and has fulfilled its obligation under its agreements with the Fund.

**Elarg Agricultural Land Opportunity Fund REIT**

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Sofia, 29 April 2011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
As at December 31, 2010

	Note	As at December 31, 2010 BGN'000	As at December 31, 2009 BGN'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment property	5	61 699	64 249
Intangible assets	6	18	66
Property, plant and equipment	7	130	82
Other receivables and prepayments	11	443	-
Deferred tax asset	30	51	-
<b>Total non-current assets</b>		<b>62 341</b>	<b>64 397</b>
<b>Current assets</b>			
Inventory	9	833	970
Trade receivables	10	2 334	2 461
Other receivables and prepayments	11	249	744
Receivables from agricultural subsidy	12	342	-
Cash and cash equivalents	13	48	3 372
<b>Total current assets</b>		<b>3 806</b>	<b>7 547</b>
Assets and disposal groups, classified as held for sale	14	15 001	17 593
<b>Total assets</b>		<b>81 148</b>	<b>89 537</b>

Prepared by: \_\_\_\_\_  
/Anna Menelaeva/  
Date: 29.04.2011

Executive director: \_\_\_\_\_  
/Elarg Agricultural Land Opportunity Fund REIT/

Audited according to the auditor's  
report:

\_\_\_\_\_  
/ Mariana Mihaylova, PhD /

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
As at December 31, 2010

	Note	As at December 31, 2010 BGN'000	As at December 31, 2009 BGN'000
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	15.1	59 716	59 716
Share premium	15.2	13 453	13 453
Accumulated loss		(9 162)	(5 352)
<b>Total equity</b>		<b>64 007</b>	<b>67 817</b>
<b>Liabilities</b>			
<b>Non-current</b>			
Debenture loan	17	13 965	-
Obligations under finance lease	8	15	19
<b>Total non-current liabilities</b>		<b>13 980</b>	<b>19</b>
<b>Current</b>			
Trade payables	18	2 384	1 439
Debenture loan	17	-	19 558
Interest on debenture loan	17	455	561
Obligations under finance lease	8	5	9
Other payables	19	317	134
<b>Total current liabilities</b>		<b>3 161</b>	<b>21 701</b>
<b>Total liabilities</b>		<b>17 141</b>	<b>21 720</b>
<b>Total equity and liabilities</b>		<b>81 148</b>	<b>89 537</b>

Prepared by: \_\_\_\_\_  
/Anna Menelaeva/  
Date: 29.04.2011

Executive director: \_\_\_\_\_  
/Elarg Agricultural Land Opportunity Fund REIT/

Audited according to the auditor's  
report:

\_\_\_\_\_  
/ Mariana Mihaylova, PhD /

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
For the year ended December 31, 2010

	Note	Year ended December 31, 2010 BGN'000	Year ended December 31, 2009 BGN'000
Revenue from investment property rentals	20	4 766	3 963
Revenue from production sales	21	940	-
Cost of sales of production	21	(1 774)	-
Loss from production sales	21	(834)	-
Revenue from sale of non-current asset	22	5 410	27
Cost of sale of non-current assets	22	(2 966)	(12)
Profit from sale of non-current assets	22	2 444	15
<b>Gross Operating Profit</b>		<b>6 376</b>	<b>3 978</b>
Other income	24	497	3
Servicing company consideration	25	(2 039)	(1 522)
Administrative expenses	26	(2 129)	(1 169)
Impairment of assets	27	(4 946)	(3 293)
Depreciation and amortization of non-financial assets	6,7	(55)	(30)
Other expenses	28	(182)	-
<b>Operating profit loss</b>		<b>(2 478)</b>	<b>(2 033)</b>
Finance costs	29	(1 439)	(1 369)
Finance income	29	56	243
<b>Loss before taxation</b>		<b>(3 861)</b>	<b>(3 159)</b>
Income tax expense	30	51	-
<b>Loss for the year</b>		<b>(3 810)</b>	<b>(3 159)</b>
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year</b>		<b>(3 810)</b>	<b>(3 159)</b>
<b>Earning/(loss) per share:</b>		<b>BGN</b>	<b>BGN</b>
Basic earnings per share:			
Earnings/(Loss)	31	(0.064)	(0.053)

Prepared by: \_\_\_\_\_  
/Anna Menelaeva/  
Date: 29.04.2011

Executive director: \_\_\_\_\_  
/Elarg Agricultural Land Opportunity Fund REIT/

Audited according to the auditor's  
report:

\_\_\_\_\_  
/ Mariana Mihaylova, PhD /

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
For the year ended December 31, 2010

	<u>Share capital</u> BGN'000	<u>Share premium</u> BGN'000	<u>Accumulated losses</u> BGN'000	<u>Total equity</u> BGN'000
<b>Balance at January 1, 2009</b>	<b>59 716</b>	<b>13 453</b>	<b>(2 193)</b>	<b>70 976</b>
Loss for the year	-	-	(3 159)	(3 159)
Other comprehensive income for the year, net of tax	-	-	-	-
<b>Total comprehensive income for the year, net of tax</b>	<b>-</b>	<b>-</b>	<b>(3 159)</b>	<b>(3 159)</b>
<b>Balance at December 31, 2009</b>	<b>59 716</b>	<b>13 453</b>	<b>(5 352)</b>	<b>67 817</b>
Loss for the year	-	-	(3 810)	(3 810)
Other comprehensive income for the year, net of tax	-	-	-	-
<b>Total comprehensive income for the year, net of tax</b>	<b>-</b>	<b>-</b>	<b>(3 810)</b>	<b>(3 810)</b>
<b>Balance at December 31, 2010</b>	<b>59 716</b>	<b>13 453</b>	<b>(9 162)</b>	<b>64 007</b>

Prepared by: \_\_\_\_\_  
/Anna Menelaeva/  
Date: 29.04.2011

Executive director: \_\_\_\_\_  
/Elarg Agricultural Land Opportunity Fund REIT/

Audited according to the auditor's report:

\_\_\_\_\_  
/ Mariana Mihaylova, PhD /

CONSOLIDATED CASH FLOW STATEMENT  
For the year ended December 31, 2010

	Note	Year ended December 31, 2010 BGN'000	Year ended December 31, 2009 BGN'000
<b>Cash flows from operating activities</b>			
Cash flows from customers for investment property rentals and sales of agricultural production		5 976	2 570
Cash paid to suppliers		(6 132)	(2 909)
Cash paid to personnel and social security		(363)	(186)
Tax (paid)/remitted		133	(98)
Interest received		95	222
Other proceeds/(payments) for operating activities		(65)	14
<b>Net cash used in operating activities</b>		<b>(356)</b>	<b>(387)</b>
<b>Cash flows from investing activities</b>			
Purchases of investment property	5	(1 498)	(316)
Proceeds from investment property sales	5	5 619	23
Purchases of property, plant and equipment	7	(82)	(53)
Purchases of intangible assets	6	-	(78)
<b>Net cash provided by/(used in) investing activities</b>		<b>4 039</b>	<b>(424)</b>
<b>Cash flows from financing activities</b>			
Proceeds from loans		665	-
Repayment of loans		(6 258)	-
Obligations under finance lease		(10)	(2)
Interest paid		(1 404)	(1 271)
<b>Net cash used in financing activities</b>		<b>(7 007)</b>	<b>(1 273)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(3 324)</b>	<b>(2 084)</b>
Cash and cash equivalents at the beginning of the year		3 372	5 456
<b>Cash and cash equivalents at the end of the year</b>	13	<b>48</b>	<b>3 372</b>

Prepared by: \_\_\_\_\_

/Anna Menelaeva/

Date: 29.04.2011

Executive director: \_\_\_\_\_

/Elarg Agricultural Land Opportunity Fund REIT/

Audited according to the auditor's report:

/ Mariana Mihaylova, PhD /

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS  
For the year ended December 31, 2010

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**1. General information about the economic group Elarg Agricultural Land Opportunity Fund REIT**

**1.1. Parent company**

**1.1.1. Principal activity**

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

The Parent-Company in the Group is Elarg Agricultural Land Opportunity Fund REIT.

Elarg Agricultural Land Opportunity Fund REIT (the Parent-Company) is a public joint-stock company established on 14 March 2005 with the name Elana Agricultural Land Opportunity Fund REIT. On 25 May 2008, the General shareholders' meeting decided to change the Fund's name to Elarg Agricultural Land Opportunity Fund REIT.

The Parent-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 Parent-Company has been entered into the Commercial Register with UIN 131404159.

The registered office and principal place of activity of the Parent company is Sofia 1407, 16 Nikola Vaptsarov Blvd. The mailing address is the same.

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

The Parent-Company has been established for a 13-year term, starting from the date of the initial registration in the Commercial Register.

The Parent-Company has one-tier system of management.

As of 31.12.2010 the Board of Directors of the Parent-Company consists of the following members:

Ivo Stanev Gadev, Member of the Board of Directors

Andrey Valerievich Kruglykhin, Member of the Board of Directors and Executive Director;

Stefan Georgiev Stefanov, Member of the Board of Directors;

Dobromir Nikolaev Hristov, Member of the Board of Directors;

Dimitar Atanasov Valkov, Chairman of the Board of Directors

As per a resolution of the Annual General Meeting of the Parent Company, held on 5 July 2010, Dimitar Atanasov Valkov and Dobromir Nikolaev Hristov join the Board of Directors, replacing Stoyan Lybomirov Malkochev, who has tendered his resignation, and Vasil Ivanov Vasilev.

As of December 31, 2010 the Parent-Company is represented by the Executive Director Andrey Valerievich Kruglykhin.

As of December 31, 2010 the Parent-Company has issued 59,715,885 shares with a value of 1 BGN each.

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS  
For the year ended December 31, 2010

**1. General information about the economic group Elarg Agricultural Land Opportunity Fund REIT (continued)**

**1.1. The Parent company (continued)**

**1.1.2. Parent company's investment strategy, goals and restrictions**

*Scope of Business*

Elarg 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.

*Main goals*

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

*Investment restrictions*

Elarg 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 Parent-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 Parent-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 only 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 Parent Company's assets

In compliance with the Special Investment Purpose Companies Act the Parent-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 Parent-Company's shareholders accepted an amendment in the Parent Company's Statute in accordance with which the amount of the investments in agricultural land purchased for the purpose of change of designation is limited.

The Parent-Company's shares are listed on the Bulgarian Stock Exchange.

**1.2 Subsidiaries included in the consolidation of Elarg Agricultural Land Opportunity Fund REIT**

Elarg Agricultural Land Opportunity Fund REIT has direct or indirect control over the following companies:

<u>Subsidiary</u>	<u>Country</u>	<u>Registered capital in BGN</u>	<u>% shares owned by Elarg Agricultural Land Opportunity Fund REIT</u>
Elarg Agro EOOD	Bulgaria	50 000	100%
Elarg Wind EOOD	Bulgaria	5 000	100%
Vidin Agro EOOD	Bulgaria	500	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**1. General information about the economic group Elarg Agricultural Land Opportunity Fund REIT (continued)**

**1.2 Subsidiaries included in the consolidation of Elarg Agricultural Land Opportunity Fund REIT (continued)**

The subsidiaries Elarg Agro EOOD and Elarg Wind EOOD are established in June 2009.

The representation of the comparative information in the Consolidated statement of comprehensive income and the Consolidated cash flow statement include data for the Parent company for the period 01.01.2009 - 31.12.2009 and data for Elarg Agro EOOD and Elarg Wind EOOD for the period from the date of their registration 04.06.2009 to 31.12.2009.

Vidin Agro EOOD was purchased in October 2010 by Elarg Wind EOOD for BGN 500.

**1.2.1. Elarg Agro EOOD**

The main activity of ELARG AGRO EOOD is related to cultivation, storage and transport of agricultural produce, purchasing of goods and other material rights with the intention of resale in a initial, processed, and cultivated form, commercial representation and mediation, commissions, forwarding and transport arrangements, warehouse arrangements, license arrangements, advertising, communication, and program services and all other services unprohibited by law, with respect to the respective registration, license, and other requirements.

The company is registered as a sole-owned limited liability company in the Commercial Register of the Registry Agency with UIN 200741485.

The company's registered office and principal place of business is Sofia, Lozenets District, 16, Nikola Vaptsarov Blvd.

The company has share capital of BGN 50,000 distributed in 1,000 shares of BGN 50 each.

**1.2.2. Elarg Wind EOOD**

ELARG WIND EOOD is registered with the following subject of activity: activity is as a servicing company by means of the Special Investment Companies Act, management of real estate properties owned by a special investment purpose companies, completion of improvements on them and completion of related research and analysis, performing consultations on projects, related to the acquired from the special investment purpose companies real estate properties with the intention of increasing their value, research, design and development of complex sites in the field of power production, consulting activity in the field of power energetics, development and financing of energy projects, purchasing of goods and other material rights with the intention of resale in a initial, processed, and cultivated form, commercial representation and mediation, commissions, shipping arrangements, warehouse arrangements, license arrangements, advertising, communication, and programming services.

The company is registered as a sole-owned limited liability company in the Commercial Register of the Registry Agency with UIN 200742256.

The company's registered office and principal place of business is Sofia, Lozenets District, 16, Nikola Vaptsarov Blvd.

The company has a share capital of BGN 5,000 distributed in 100 shares of BGN 50 each.

The company works on a project of developing wind-powered parks. As of the preparation date of the Consolidated financial statements, there is assembled equipment on agricultural land owned by Elarg Agricultural Land Opportunity Fund REIT in relation with researches and analysis on the above mentioned project.

## NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

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**1. General information about the economic group Elarg Agricultural Land Opportunity Fund REIT (continued)**

**1.2. Subsidiaries included in the consolidation of Elarg Agricultural Land Opportunity Fund REIT (continued)**

**1.2.3. Vidin Agro EOOD**

The main activity of ELARG AGRO EOOD is related to cultivation, storage and transport of agricultural produce, purchasing of goods and other material rights with the intention of resale in a initial, processed, and cultivated form, commercial representation and mediation, commissions, forwarding and transport arrangements, warehouse arrangements, license arrangements, advertising, communication, and program services and all other services unprohibited by law, with respect to the respective registration, license, and other requirements.

The company is registered as a sole-owned limited liability company in the Commercial Register of the Registry Agency with UIN 201135280.

The company's registered office and principal place of business is Sofia, Lozenets District, 16, Nikola Vaptsarov Blvd.

Until 19 October 2010 the sole owner of all shares of the company is Vesselin Danev. According to a share purchase agreement dated 19 October 2010 all 10 (ten) shares with a nominal value of BGN 50 each, representing 100% of the capital of Vidin Agro EOOD are transferred to Elarg Wind EOOD.

Elarg Wind EOOD is the sole owner of all shares of the company.

The company has a share capital of BGN 500 distributed in 10 shares of BGN 50 each.

**2. Basis foot the preparation of the financial statements**

The Group's Consolidated financial statements are prepared and presented in compliance with the International Financial Reporting Standards (IFRS), as issued and published by the International Accounting Standards Board (IASB) and approved by the EU Commission.

The Consolidated financial statements are presented in Bulgarian Leva (BGN) which is the functional currency of the Group. All amounts are rounded to the nearest thousand (BGN000) (including the comparative information for 2008 and 2009) except when otherwise indicated.

The investments in subsidiaries are presented in accordance with IAS 27 "Consolidated and Separate Financial Statements"

The financial statements of the Group are prepared on a going concern basis. As of the date of preparation of these financial statements, on the basis of the available information for the foreseeable future, the management of the Group made an assessment of the abilities of the Group to continue to operate on a going concern basis. The Group reports losses (loss for the current year amounting to BGN 3 810 thousands and accumulated losses amounting to BGN 9 162 thousands). The Group reports positive net assets and the current assets of the Group exceed its current liabilities. Based on the above the Board of Directors of the Group expects that the Group has sufficient financial resources to continue its operations in the foreseeable future and has no reasons to believe that the going concern assumption is not appropriate to continue.

The Consolidated financial statements for the year ended December 31, 2010 are approved by the Board of Directors on April 29, 2011.

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS  
For the year ended December 31, 2010

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### 3. Changes in accounting policies

#### 3.1. Overall considerations

The Group has adopted the following new interpretations, revisions and amendments to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Group's financial statements for the annual period beginning 1 January 2010:

- IAS 27 “Consolidated and Separate Financial Statements” (revised 2008), adopted by the EU on 12 June 2009;
- IAS 39 “Financial Instruments: Recognition and Measurement” (amended) – Eligible Hedged Items, adopted by the EU on 16 September 2009;
- Annual Improvements to IFRSs 2008 – IFRS 5 “Non-current Assets Held for Sales and Discontinued Operations”, adopted by the EU;
- Annual Improvements to IFRSs 2009, adopted by the EU on 23 March 2010.

Significant effects on current, prior or future periods arising from the first-time application of these new requirements in respect of presentation, recognition and measurement are described as follows:

**IAS 27 “Consolidated and Separate Financial Statements”** (revised 2008) requires a mandatory adoption of the economic entity model. The economic entity approach treats all providers of equity capital as the entity's shareholders, even when they are not shareholders in the parent company. A partial disposal of an interest in a subsidiary in which the parent company retains control does not result in a gain or loss but in an increase or decrease in equity under the economic entity approach. Purchase of some or all of the non-controlling interest is treated as a treasury transaction and accounted for in equity.

**IAS 39 amendment “Eligible Hedged Items”** prohibits designating inflation as a hedgeable component of a fixed rate debt and in a hedge of one-sided risk with options, it prohibits including time value in the hedged risk.

#### **Annual Improvements to IFRSs 2008:**

- **IFRS 5 “Non-current Assets Held for Sales and Discontinued Operations” amendment** clarifies that an entity that is committed to a sale plan involving loss of control of a subsidiary shall classify all the assets and liabilities of that subsidiary as held for sale when the criteria set out in paragraphs 6-8 are met, regardless of whether the entity will retain a non-controlling interest in its former subsidiary after the sale.

#### **Annual Improvements to IFRSs 2009 include significant changes to the following standards:**

- **IFRS 2 amendment** achieves consistency between the scope of IFRS 3 (revised) and IFRS 2 and confirms that common control transactions and the contribution of a business on the formation of a joint venture are not within the scope of IFRS 2.

- **IFRS 5 amendment** clarifies that IFRS 5 specifies the disclosures required for assets held for sale and discontinued operations. Disclosures in other IFRSs do not apply, unless those IFRSs require disclosures specifically in relation to assets held for sale and discontinued operations or disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5.

- **IFRS 8 amendment** clarifies that disclosing a measure of segment assets is only required when the chief operating decision-maker reviews that information.

- **IAS 1 amendment** clarifies that conversion features that are at the holder's discretion do not impact the classification of the liability component of the convertible instrument.

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS  
For the year ended December 31, 2010

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### 3. Changes in accounting policies (continued)

#### 3.1. Overall considerations (continued)

- **IAS 7 amendment** clarifies that only expenditure that results in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- **IAS 17 amendment** clarifies that when a lease includes both land and buildings, classification as a finance or operating lease is performed separately in accordance with IAS 17's general principles.

- **IAS 18 amendment** adds an additional paragraph to the appendix to IAS 18, providing guidance on whether an entity is acting as principal or agent.

- **IAS 36 amendment** states that for the purpose of impairment testing, the cash-generating unit or groups of cash-generating units to which goodwill is allocated should not be larger than an operating segment (as defined by IFRS 8 "Operating segments") before aggregation.

- **IAS 38 amendment** removes the exceptions from recognising intangible assets on the basis that their fair values cannot be reliably measured. The amendment specifies different valuation techniques that may be used to value intangible assets where there is no active market.

- **IAS 39 amendment** clarifies that the scope exemption within IAS 39.2(g) only applies to forward contracts that will result in a business combination at a future date, as long as the term of the forward contract does 'not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction'.

- **IFRIC 9 amendment** clarifies that IFRIC 9 does not apply to embedded derivatives in contracts acquired in a business combination within the scope of IFRS 3 (revised), in a business combination between entities or businesses under common control; or as part of the formation of a joint venture.

- **IFRIC 16 amendment** confirms that hedging instrument can be held anywhere in the group including within the entity that is being hedged.

The following standards, amendments and interpretations to existing standards are not relevant to the business activities of the Group and have no effect on the financial statements:

- IFRS 1 "First-time Adoption of International Financial Reporting Standards" (amended) – Additional Exemptions for First-time Adopters, adopted by the EU on 25 June 2010;
- IFRS 1 "First-time Adoption of International Financial Reporting Standards" (revised 2008), adopted by the EU on 25 November 2010;
- IFRS 2 "Share-based Payment" (amended) – Group Cash-settled Share-based Payment Transactions, adopted by the EU on 23 March 2010;
- IFRS 3 "Business Combinations" (revised 2008), adopted by the EU on 12 June 2009;
- IFRIC 15 "Agreements for the Construction of Real Estate", effective 1 January 2009, although EU endorsed for 1 January 2010;
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation", effective 1 October 2008, although EU endorsed for 1 July 2009;
- IFRIC 17 "Distributions of Non-cash Assets to Owners", adopted by the EU on 25 November 2009;
- IFRIC 18 "Transfers of Assets from Customers", adopted by the EU on 27 November 2009 for periods beginning on or after 31 October 2009;

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS  
For the year ended December 31, 2010

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### 3. Changes in accounting policies (continued)

#### 3.2. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorization 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 Group.

Management anticipates that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement.

Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements:

#### **FRS 7 “Financial Instruments: Disclosures” – Derecognition, effective from 1 July 2011, not yet adopted by the EU**

The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial asset.

#### **IFRS 9 “Financial Instruments” effective from 1 January 2013, not yet endorsed by the EU**

IFRS 9 “Financial instruments” represents the first milestone in the comprehensive IASB project to replace IAS 39 “Financial instruments: Recognition and measurement” by the end of 2010. It replaces multiple measurement categories in IAS 39 with a single principle-based approach to classification. IFRS 9 requires all financial assets to be measured at either amortised cost or full fair value. Amortised cost provides decision-useful information for financial assets that are held primarily to collect cash flows that represent the payment of principal and interest. For all other financial assets, including those held for trading, fair value represents the most relevant measurement basis. IFRS 9 eliminates the need for multiple impairment models, such that only one impairment model for financial assets carried at amortised cost will be required.

#### **IAS 12 “Income Taxes” – Deferred Tax, effective from 1 January 2012, not yet adopted by the EU**

Currently IAS 12 “Income Taxes”, requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 “Investment Property”. Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21 “Income taxes- recovery of revalued non-depreciable assets”, would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn.

#### **IAS 24 “Related Party Disclosures” (amended) effective from 1 January 2011, adopted by the EU on 19 July 2010**

The revised standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of a related party. The amendment introduces an exemption from the disclosure requirements of IAS 24 for transactions between government-related entities and the government, and all other government-related entities.

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS  
For the year ended December 31, 2010

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**3. Changes in accounting policies (continued)**

**3.2. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group (continued)**

Those disclosures are replaced with a requirement to disclose: the name of the government and the nature of the relationship, the nature and amount of any individually-significant transactions and a qualitative or quantitative indication of the extent of any collectively-significant transactions.

**IAS 32 “Financial Instruments: Presentation” (amended) effective from 1 February 2010, adopted by the EU on 24 December 2009**

The amendment recognizes that the previous requirement to classify foreign-currency-denominated rights issued to all existing shareholders on a pro rata basis as derivative liabilities is not consistent with the substance of the transactions, which represents a transaction with owners acting in their capacity as such. The amendment therefore creates an exception to the “fixed for fixed” rule in IAS 32 and requires rights issues within the scope of the amendment to be classified as equity.

**IFRIC 14 “Prepayments of a Minimum Funding Requirement” (amended) effective from 1 January 2011, adopted by the EU on 19 July 2010**

IFRIC 14 amendment requires the recognition of an asset for any surplus arising from voluntary prepayment of minimum funding pension contributions in respect of future service. The pre-paid contributions are recovered through lower minimum funding requirements in future years.

**IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments” effective from 1 July 2010, adopted by the EU on 23 July 2010**

IFRIC 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (referred to as a ‘debt for equity swap’). IFRIC 19 considers that equity instruments issued to settle a liability represent ‘consideration paid’. It therefore requires a gain or loss to be recognised in profit or loss when a liability is settled through the issuance of the entity’s own equity instruments. This is consistent with the general approach to derecognition of financial liabilities established by IAS 39. The amount of the gain or loss recognised in profit or loss is determined as the difference between the carrying value of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments cannot be reliably measured, the fair value of the existing financial liability is used to measure the gain or loss and to record issued equity instruments.

**Annual Improvements to IFRSs 2010 effective from 1 January 2011 unless otherwise stated, not yet adopted by the EU:**

**-IFRS 1 amendment** clarifies that a first-time adopter of IFRS does not apply IAS 8 to changes in accounting policies that it makes when it first adopts IFRSs or to changes to those policies made during the periods covered by its first IFRS financial statements. IFRS 1 amendment requires a first-time adopter to disclose and explain any changes made in its accounting policies or its use of the IFRS 1 exemptions between its first IFRS interim financial report and its first IFRS financial statements.

IFRS 1 amendment extends the scope for use of event-driven fair value. In its first IFRS financial statements, a first-time adopter may recognize an event-driven fair value measurement as deemed cost, with the revaluation adjustment recognized in retained earnings. This applies even when the event occurs after the date of transition, provided that this is during the periods covered by its first IFRS financial statements. IFRS 1’s normal rules still apply at the transition date.

IFRS 1 amendment permits entities with operations subject to rate regulation to use the carrying amount of the items of property, plant and equipment or intangible assets determined under the entity’s previous GAAP as deemed cost at the date of transition to IFRS.

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS  
For the year ended December 31, 2010

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**3. Changes in accounting policies (continued)**

**3.2. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group (continued)**

**-IFRS 3 amendment** (effective from 1 July 2010) clarifies that contingent consideration balances arising from business combinations that occurred before an entity's date of adoption of IFRS 3 (Revised 2008) shall not be adjusted on the adoption date. Also provides guidance on the subsequent accounting for such balances.

The choice of measuring non-controlling interest (NCI) either at fair value or at the proportionate share in the recognized amounts of an acquiree's identifiable net assets, is now limited to NCI that are present ownership instruments and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. IFRS 3 amendment clarifies that all other components of NCI shall be measured at their acquisition-date fair values, unless another measurement basis is required by IFRSs.

IFRS 3 amendment clarifies the guidance for the accounting of share-based payment transactions of the acquiree that were voluntarily replaced by the acquirer and acquiree awards that the acquirer chooses not to replace.

**-IFRS 7 amendment** clarifies the disclosure requirements of the standard to remove inconsistencies, duplicative disclosure requirements and specific disclosures that may be misleading.

**-IAS 1 amendment** clarifies that entities may present the required reconciliations for component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.

**-IAS 21, IAS 28, IAS 31 amendments** (effective from 1 July 2010) relate to the transition requirements to apply certain consequential amendments arising from the 2008 IAS 27 amendments prospectively, to be consistent with the related IAS 27 transition requirements.

**-IAS 34 amendment** aims to improve interim financial reporting by clarifying disclosures required, including the interaction with recent improvements to the requirements of IFRS 7.

**-IFRIC 13** clarifies that when the fair value of award credits is measured on the basis of the value of the awards for which they could be redeemed, the fair value of the award credits should take account of expected forfeitures as well as discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale.

The following new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements:

**IFRS 1 “First-time Adoption of International Financial Reporting Standards” (amended) – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters – effective from 1 July 2010, adopted by the EU on 30 June 2010**

IFRS 1 amendment - Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters – provides first-time adopters with the same transition relief that existing IFRS preparers received in the March 2009 amendment to IFRS 7 “Financial instruments: Disclosures”. The first-time adopters are permitted to exclude comparative disclosures in the first year of application.

**IFRS 1 “First-time Adoption of International Financial Reporting Standards” (amended) – Fixed dates and Hyperinflation, effective from 1 July 2011, not yet adopted by the EU**

These amendments include two changes to IFRS 1, 'First time adoption.

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS  
For the year ended December 31, 2010

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**3. Changes in accounting policies (continued)**

**3.2. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group (continued)**

The first replaces references to a fixed date of '1 January 2004' with 'the date of transition to IFRSs', thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. The exemption allows an entity to elect to measure assets and liabilities held before the functional currency normalisation date at fair value; and to use that fair value as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position.

**4. Accounting policy**

**4.1. Overall considerations**

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

The Consolidated 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. The Consolidated financial statements are prepared under the going concern principle.

The preparation of the Consolidated financial statements in compliance with IFRS requires management to make estimates and assumptions. Although these estimates are based on management's best knowledge of current events and actions as of the preparation date of the Consolidated financial statements, actual results may ultimately differ from those estimates.

**4.2. Presentation of the Consolidated financial statements**

The financial statements are presented in accordance with IAS 1 'Presentation of Financial Statements' (revised 2007).

The Group accepted to present the Statement of Comprehensive Income in a single statement.

In order to improve the presentation of the results from operations of the Group, the understanding by the users of these financial statements and the comparison of the information with similar entities, in 2010 the Group presented the Statement of Comprehensive Income applying the functional method. The respective restatements of comparative information do not impact on Statement of financial position therefore the Group presented one comparative period to the Statement of Financial Position as of December 31, 2010 (including comparative information as of December 31, 2009).

**4.3. Basis of consolidation**

In the financial statements of the Group are consolidated the financial statements of the Parent-Company and all subsidiaries as of 31 December 2010. Subsidiaries are companies under the control of the Group. Control of a subsidiary is the right to manage financial and operating policies of an entity in order to obtain benefits from its activities. The Parent Company acquires and controls as it owns more than half of the total number of voting rights. All subsidiaries have a reporting period, ending on 31 December 2010.

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS  
For the year ended December 31, 2010

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#### **4. Accounting policy (continued)**

##### **4.3. Basis of consolidation (continued)**

Unrealized profit and loss from transactions between companies within the Group are eliminated. When the unrealized losses from sales of assets within the Group are eliminated, the respective amounts are tested for impairment as from the Group's point of view. The amounts presented in the financial statements of the subsidiaries are adjusted as necessary in order to provide compliance with the accounting policy, applied by the Group.

Profit and loss and all other comprehensive income of subsidiaries, which are acquired or sold during the year, are recognized from the date of acquisition, or respectively to the date of sale.

##### **4.4. Foreign currency transactions**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions (spot exchange rate as published by the Bulgarian National Bank). 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 profit or loss.

Non-cash positions, measured by their historic price in foreign currency, are reported by the exchange rate at the date of the transaction (they are not revalued). Non-cash positions, measured by their fair value in foreign currency, are reported by the exchange rate at the date of the fair value estimation.

##### **4.5. Revenues**

Revenue comprises revenue from the sale of goods and the rendering of services. Revenues from main activities are presented in Note 20 and Note 21.

Revenues are measured at the fair value of the consideration received or receivable excluding VAT, the amount of any trade discounts and rebates, provided by the Group.

Revenue is recognized when all of the following conditions are met:

- The amount of the revenues can be reliably measured;
- It is probable that the economic benefits from the transaction can be received;
- The incurred costs or those that will be incurred can be reliably measured;
- The recognition criteria which are specific for each separate activity of the Group are met. They are determined according to the goods and services offered to the client and to the contract terms which are shown below

###### **4.5.1. Rendering of services**

The services offered by the Group include: renting out of investment property – agricultural land.

The revenues from renting out of investment property of the Parent Company under contracts are recognized on a straight-line method for the period of the contract.

###### **4.5.2. Interest Income**

The interest revenues and expenses are reported using the effective interest rate method. Revenues from dividends are recognized at the moment of arising the right to receive payments.

###### **4.5.3. Sale of goods**

Revenue from the sale of agricultural production is recognised when the significant risks and rewards of ownership of the agricultural production have passed to the buyer, usually on its delivery.

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS  
For the year ended December 31, 2010

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#### **4. Accounting policy (continued)**

##### **4.6. Operating expenses**

The operating expenses are recognized in the profit or loss at the use of the service or at the date they are incurred.

##### **4.7. Interest and loan expenses**

The interest revenues and expenses are reported using the effective interest rate method.

Borrowing costs consist of interest on loans of the Group. All loan costs, which directly can be related to the acquisition, construction, or development of a qualifying asset, are capitalized during the period in which the asset is expected to be completed and prepare the asset to use or sale. The rest of the loan expenses have to be recognized as an expense for the period in which they are incurred and reported as Finance costs in the Statement of comprehensive income.

##### **4.8. Intangibles assets**

Intangible fixed assets include software products and acquisition costs of intangible assets. They are reported on their purchase price, including any import duties and non-refundable purchase taxes, and any directly attributable expenditure on preparing the asset for its intended use where the capitalized expenses are amortized by the straight-line method during the measured period of useful life of the assets, because it is considered to be limited. If an intangible asset is acquired in a business combination, the cost of that intangible asset is based on its fair value at the date of acquisition.

After initial recognition, an intangible asset is carried at its cost less any accumulated amortization and any accumulated impairment losses. Impairment losses are recognized in the current period statement of comprehensive income.

Subsequent expenditure on an intangible asset after its purchase or its completion is recognized as an expense when it is incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard performance; and this expenditure can be measured and attributed to the asset reliably. If these two conditions are met, the subsequent expenditure is added to the cost of the intangible asset.

The residual value and useful life of intangible assets are estimated by the management at the end of every reporting period.

Amortization is calculated using the straight-line method over the estimated useful life of individual assets as follows:

- Software 2 years

Amortization and depreciation expenses are reported in the Consolidated statement of comprehensive income as “Depreciation and amortization of non-financial assets”.

The recognition threshold, adopted by the Group for intangible assets, amounts to BGN 500.

##### **4.9. Property, plant and equipment**

Property, plant and equipment are initially carried at cost, including the price of acquisition and any costs directly attributable to the conversion of assets into working condition.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended December 31, 2010

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#### 4. Accounting policy (continued)

##### 4.9. Property, plant and equipment (continued)

Subsequent expenditure relating to an item of property, plant and equipment is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset. All other subsequent expenditures are recognized as an expense in the period in which it is incurred.

The residual value and useful life of intangible assets are estimated by the management at the end of every reporting period.

Property, 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 calculated using the straight-line method and based upon the following estimated useful lives of the assets:

• Plant and equipment	3.33 years
• Vehicles	4 years
• Agricultural equipment	6.67 years
• Computers	2 years
• Others	6.67 years

The profit or loss from the sale of plant and equipment is determined as a difference between the sale proceeds and the carrying amount of the asset and is recognized as “Gain/Loss from the sale of non-current assets” in the Consolidated statement of comprehensive income.

Depreciation costs are included in the Consolidated statement of comprehensive income on the “Depreciation and amortization of non-financial assets”.

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

##### 4.10. Reporting of lease contracts

In accordance with IAS 17 “Leases”, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset.

When signing a lease contract, the related asset is recognized at the lower of the fair value of the leased property and the present value of the minimum lease payments plus unexpected payments, if there are any. In the Consolidated statement of financial position a corresponding amount is recognized as a finance lease liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease.

Subsequently the corresponding finance lease liability is reduced by lease payments, which consist of repayment of principal and finance costs.

Assets acquired in a finance lease terms are depreciated in accordance with IAS 16 “Property, plant, and equipment” or IAS 38 “Intangible assets”.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to profit or loss over the period of the lease.

All other leases are treated as operating leases. Payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS  
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#### **4. Accounting policy (continued)**

##### **4.11. Impairment testing of intangible assets and property, plant and equipment**

For the purposes of assessing impairment assets are grouped at the lowest levels for which there are separately identifiable cash flows – cash-generating units. As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units are tested for impairment at least once a year. All other separate assets or units, generating cash flow, are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, Group's management estimates expected future cash flows from each cash-generating unit and determines a discount factor in order to calculate the present value of those cash flows. The data used for the Group's impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganizations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by the Group's management.

Impairment losses for cash-generating units reduce the carrying amount of assets comprising the cash-generating unit in proportion to their carrying amounts. Group's management subsequently reassesses assets for indications that an impairment loss previously recognized may no longer exist or be reduced. An impairment charge that has been recognized is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

##### **4.12. Investment property**

Investment property in which the Group invests consists of agricultural land, which is held for rental income by the acquisition cost model.

Investment property is initially carried at cost, including the price of acquisition and any costs directly attributable to the acquisition of the investment property, for example legal fees, taxes on the transfer of the property and other transaction costs.

After initial recognition, the investment property is recorded by its cost of acquisition decreased with all accumulated depreciation and impairment losses.

Subsequent costs related to investment property already recognized in the Group's Consolidated financial statements, 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 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 in the Income statement within "Revenue from investment property rentals" and "Hired services expenses" respectively and are recognized as it is described in Note 4.5 and Note 4.6.

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS  
For the year ended December 31, 2010

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#### 4. Accounting policy (continued)

##### 4.13. Financial instruments

All financial assets and liabilities are recognized when the Group becomes a party in a contract settlements, including financial instruments.

Financial asset is derecognized when the control over the settled rights which represent the financial asset is lost, in other words, when the rights for receiving cash flows are expired or the significant part of the risks and rewards from the property is transferred.

Financial liability is derecognized when it is paid-off, the settlement is annulled or the term has expired.

After the initial recognition of financial assets and liabilities, they are estimated by their fair value plus all transaction costs with the exception of these instruments, measured by their fair value in the profit or loss, which are initially recognized by their fair value.

Financial assets are recognized on the date of the settlement.

Financial assets and liabilities are recognized subsequently, as it is shown below.

##### 4.13.1. Financial assets

With the intention of subsequent estimation, financial assets other than hedging instruments are classified into the following categories:

- Loans and receivables;

Financial assets are assigned to the different categories, depending on the purpose for which the investments were acquired. A financial instrument's category is relevant for the way it is measured and whether any resulting income and expenses are recognized in the Consolidated income statement or in the other comprehensive income of the Group. All financial assets with the exception of those estimated by their fair value in the Consolidated statement of comprehensive income are a subject of an impairment test as of the date of the Consolidated financial statements. The financial assets are discounted when there is an objective evidence for this. Different criteria are applied in the estimation of the impairment loss depending on the category of financial assets as it is shown below.

All revenues and expenses related to the possession of financial instruments are shown in the profit or loss upon receipt regardless of the estimation of the corresponding financial asset's carrying amount, and are presented in "Finance income", "Finance costs" rows in the Consolidated statement of comprehensive income with the exception of impairment loss of trade receivables, which is represented as "Impairment of assets".

##### Loans and receivables

Loans and receivables that arise initially in the Group are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortized cost using the effective interest method, less provision for impairment. Any change in their value is shown in the profit or loss for the current period. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments. Discounting is omitted where the effect of discounting is immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended December 31, 2010

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**4. Accounting policy (continued)**

**4.13. Financial instruments (continued)**

**4.13.1. Financial assets (continued)**

Significant receivables are considered for impairment on a case-by-case basis when they are past due at the Consolidated financial statements date or when there is objective evidence that a specific counterparty will default. All other receivables are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other credit risks, if any. In this case, the percentage of the write down is based on recent historical counterparty default rates for each identified group. Any impairment loss of trade receivables is presented in the Consolidated statement of comprehensive income as "Impairment of receivables".

**4.13.2. Financial liabilities**

The Group's financial liabilities include bond issue and bank borrowings, trade and other payables, and finance lease payables.

Financial liabilities are recognized when the Group becomes a party to the contractual agreements for payment of cash amounts or another financial asset to another company or contractual liability for exchange of financial instruments with another company under unfavorable terms. All interest related charges and changes in fair value of financial instruments, if any, are recognized in the profit or loss as "Finance income" or "Finance costs".

Financial liabilities are subsequently estimated by their amortized value using the effective interest rate method, with the intention of financial instruments held for sale or appointed for estimation by their fair value in the profit or loss, which are estimated by their fair value with presentation of the changes in the profit or loss.

Bond issue is raised for support of long-term funding of the Group's operations. They are recognized in the statement of financial position of the Group, net of any costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement on an accrual basis using the effective interest method and are added to the carrying amount of the financial liability to the extent that they are not settled in the period in which they arise.

Trade payables are recognized initially at their nominal value and subsequently measured at amortized cost less settlement payments.

Dividends payable to shareholders are recognized when the dividends are approved at the General shareholders' meeting.

**4.14. Income tax**

The payable income taxes are estimated in accordance with the Bulgarian legislation. According to the Corporate Income Taxation Act, companies licensed to operate under the Special Investment Purpose Companies Act are not required to pay corporate income tax.

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended December 31, 2010

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#### **4. Accounting policy (continued)**

##### **4.14. Income tax (continued)**

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. For management's assessment of the probability of future taxable income to utilize against deferred tax assets, see note 4.21.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

##### **4.15. Cash and cash equivalents**

The Group recognizes as cash and cash equivalents all cash in hand, current bank accounts and termless deposits and deposits up to 3 months.

##### **4.16. Inventories**

Inventories include raw materials, work in progress and products. The inventory cost comprises of the direct expenses for their purchase or production, processing or other direct expenses related to their delivery, as well as a part of the total production expenses, estimated on the base of the normal production capacity. The finance costs are not included in the inventory cost. At the end of every reporting period the inventories are estimated by the lower price from their cost or their net realizable value. Every amount of impairment loss up to their net realizable value is recognized as an expense for the period of impairment.

The net realizable value is the expected sales price of inventories less the expected sale expenses. In a case when the inventories are already impaired to their net realizable value and in the following reporting period turns out that the conditions lead to the impairment no longer exist, then the new net realizable value is perceived. The recovery amount can be increased up to the carrying amount of the inventories before the impairment. The recovery in the amount of the inventory is accounted as a decrease in the inventory expenses for the period in which the recovery arises.

The processing costs of the inventory include expenses, directly related to the produced goods. They also include fixed and variable costs, incurred in the production process, distributed on a systematic basis. The processing costs which are not directly identifiable for each product are distributed between products on a reasonable and permanent basis.

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS  
For the year ended December 31, 2010

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#### **4. Accounting policy (continued)**

##### **4.16. Inventories (continued)**

The Group determines inventory costs by the weighted-average cost.

When there is a sale of inventories, their carrying amount is recognized as an expense in the period in which the corresponding revenue is recognized.

##### **4.17. Non-current assets classified as held for sale**

When the Group plans to sale a non-current asset or a group of assets (group for release) and if the sale is most likely to occur in a 12-month period, the asset or the group for release, are presented separately in the Consolidated statement of financial position.

Assets classified as held for sale are valued by the lower from their carrying amount right after they are qualified as held for sale and their fair value less costs for sale. The assets classified as held for sale are not depreciated after they are classified as held for sale.

##### **4.18. Equity, reserves and dividend payments**

Share capital of the Group is determined using the nominal value of shares that have been issued.

Share premium includes premiums received with the initial or subsequent issue of share capital. All transaction costs related to the issue of shares are deducted, net from tax relieves.

The accumulated loss includes the current financial result and the accumulated profits or uncovered losses from previous years.

All transactions with the Equity holders of the Group are presented separately in the Consolidated Statement of Changes in Equity.

##### **4.19. Pension and other short-term employee obligations**

The short term payables to personnel include wages, salaries and related social security payments.

According to the Labour code requirements, with the termination of the labor relations, after the employee has earned pension rights for assured length of service and age, the Group is obliged to pay compensation for the amount of six gross wages.

The Group has not developed and does not apply plans for employee benefits after leaving.

The short-term income of employees, including unutilized paid leaves, are included in the current liabilities as "Other payables" by their undiscounted value, which the Group expects to pay.

##### **4.20. Provisions, contingent liabilities and contingent assets**

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and the amount of the obligation can be reliably estimated. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, product warranties granted legal disputes or onerous contracts. Restructuring provisions are recognized only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognized for future operating losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended December 31, 2010

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#### **4. Accounting policy (continued)**

##### **4.20. Provisions, contingent liabilities and contingent assets (continued)**

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. When a number of such liabilities exist, the probable necessity of outcoming cash flow for the payment of the obligation is estimated by estimation of the group of liabilities as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, no liability is recognized. Contingent liabilities have to be subsequently valued by the higher value between the previously described comparable provision and the initially recognized amount, decreased with the accumulated depreciation.

Probable incoming cash flows of economic benefits, which still do not meet the asset recognition criteria, are considered as contingent assets.

##### **4.21. Significant management judgment in applying accounting policies**

The following are significant management judgments in applying the accounting policies of the Group that have the most significant effect on the Consolidated financial statements. Critical estimation uncertainties are described in Note 4.21.

###### **4.21.1. Revenue**

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.

Invoices under rental agreements are issued on the date defined in the contract and are for the payable amount under the agreement and its accompanying annexes.

###### **4.21.2 Leases**

In accordance with IAS 17 "Leases", the management classifies the lease contracts as a finance lease. In some cases the lease transaction is not simple and the management decides whether the contract is a finance lease, in which all significant risks and rewards from the possession of the asset are transferred to the leaseholder.

###### **4.21.3 Deferred tax assets**

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Group's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules of the special purpose legislation governing the Parent-Company's activity are also taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS  
For the year ended December 31, 2010

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#### 4. Accounting policy (continued)

##### 4.21. Significant management judgment in applying accounting policies (continued)

###### 4.21.4 Pending litigations, administrative or arbitration proceedings for amount above 10% of the equity of the Parent-Company

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:

The Parent-Company is a plaintiff under the internal arbitration case No 344/2009 pending before the Arbitration Court at BCCI against Elana Property Management AD. The Group claims nullity of the agreement entered into between the Group and Elana Property management AD, alleging that the imperative provisions of Art.114 of the Initial Public Offering Act have been violated. The total consideration of the claim is BGN 7 765 thousand. Under the same case, Elana Property Management AD has submitted a counter-claim for a forfeit on the basis of allegations for termination of the agreement on 15.12.2005. The initial claim consideration of the counter-claim amounts to BGN 10 452 thousand. As of the date of issuance of the Consolidated financial statements of the Group an expert opinion regarding re-calculation of the penalty fee is presented to the court. The next session of the court, on which the parties may present new evidence, is set for May 2011.

##### 4.22. Estimation uncertainty

When preparing the Consolidated financial statements management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

The actual results may differ from the judgments, estimates and assumptions made by management.

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

###### 4.22.1. Impairment

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher from fair value decreased by the cost of sale of a given asset and the its value in use. To determine the amount in use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount factor 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.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

In 2010 the Group recognised impairment losses for a total of BGN 4 946 thousand (2009: BGN 3 293 thousand), including impairment of assets held for sale for BGN 2 592 thousand (2009: BGN 2 770 thousand), impairment of investment property BGN 1 352 thousand (2009: BGN 0) and impairment of current assets – receivables for BGN 1 002 thousand (2009: BGN 523 thousand) in order to decrease their net carrying value to their recoverable value.

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS  
For the year ended December 31, 2010

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**4. Accounting policy (continued)**

**4.22. Estimation uncertainty (continued)**

**4.22.2. Useful life of depreciable assets**

Management reviews the useful lives of depreciable assets at each reporting date.

As of December 31, 2010 the management assesses that the useful lives represent the expected utility of the assets to the Group.

The carrying amounts are analyzed in Note 6 and Note 7. Actual results, however, may vary due to technical obsolescence, particularly relating to software and IT equipment.

**4.22.3. Inventories**

The inventories are estimated by the lesser value between the purchase price and the net realizable value. In determining the net realizable value, the management takes into account the most reliable existing data as of the date of the approximate valuation.

**4.22.4. Provisions**

The Group is currently a defendant on a few court proceedings that may lead to liabilities for amount different than the amount of the recognized in the Consolidated financial statements provisions. The provisions will not be considered further here in order to prevent prejudice related to the Group's position on the mentioned disputes.

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## 5. Investment property

The investment property of the Group consists of agricultural land on the territory of Bulgaria, which is held for rental, as well as increasing its value through gradual concentration, and agricultural land purchased for the purposes of consolidation and regrouping by region and territory.

The changes in the net carrying amount of the investment property of the Group are analyzed as follows:

	<u>BGN'000</u>
<b>Net carrying amount at December 31, 2008</b>	<b>62 842</b>
Acquisitions in 2009, incl.:	14
- <i>exchanges</i>	14
Investment property (Wind park Vetrino) reclassified from assets held for sale in 2009	1 438
Disposals in 2009	(45)
Balance at December 31, 2009	<u>64 249</u>
<b>Net carrying amount at December 31, 2009</b>	<b>64 249</b>
Acquisitions in 2010, incl.:	1 732
- <i>purchases</i>	1 473
- <i>exchanges</i>	244
- <i>other</i>	15
Impairment of investment property	(1 352)
Disposals in 2010	(2 930)
Balance at December 31, 2010	<u>61 699</u>
<b>Net carrying amount at December 31, 2010</b>	<b>61 699</b>

As at December 31, 2010 the investment property of the Group amounts to BGN 61 699 thousand (2009: BGN 64 249 thousand), as follows:

	<u>Area</u>	<u>Acquisition Cost</u>	<u>Carrying amount</u>
	<u>Decares</u>	<u>BGN'000</u>	<u>BGN'000</u>
<b>As at December 31, 2008</b>	<b>291 971</b>	<b>62 842</b>	<b>62 842</b>
Acquisitions in 2009	68	14	14
Reclassified (Wind park Vetrino)	1 200	1 438	1 438
Disposals in 2009	(205)	(45)	(45)
<b>As at December 31, 2009</b>	<b>293 034</b>	<b>64 249</b>	<b>64 249</b>
Acquisitions in 2010	5 873	1 732	1 732
Disposals in 2010	(14 090)	(2 930)	(2 930)
Impairment of investment property in 2010	-	-	(1 352)
<b>As at December 31, 2010</b>	<b>284 817</b>	<b>63 051</b>	<b>61 699</b>

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS  
For the year ended December 31, 2010

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**5. Investment property (continued)**

The investments property of the Group is not pledged as collateral.

Investment property amounting to BGN 15 thousand (2009: BGN 18 thousand) is written off due to lost court cases with regards to the disputed title of land.

In compliance with the provisions of Art. 20 of the Special Purpose Entities Law the Parent company appointed an independent licensed appraiser “Ocenki i Partniori” OOD to perform a valuation of the Group’s investment property as at December 31, 2010. The fair value of the investment property of the Group at December 31, 2010, as determined in the valuation of “Ocenki i Partniori” OOD, is BGN 91 464 thousand (2009: BGN 91 778 thousand). As a result of the farmland market moves and detailed analysis of the farmland portfolio, in 2010 the Group recorded impairment of investment property amounting to BGN 1 352 thousands (2009: BGN 0), which is reported in the Consolidated statement of comprehensive income as “Impairment of assets”. The Group has adopted a more prudent and conservative approach for subsequent valuation of its investment property after the initial recognition and presents the investment property in the Consolidated financial statements of the Group at its acquisition cost or its market value whichever is the lowest.

The rental revenues for the year ended December 31, 2010 amounting to BGN 4 766 thousand (2009: BGN 3 963 thousand) are presented in the Consolidated statement of comprehensive income as “Revenue from investment property rentals”. Conditional rents are not recognised.

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS  
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## 6. Intangible assets

The intangible assets of the Group consist of software and intangible assets in process of acquisition. The net book value for the presented reporting periods can be analysed as follows:

	<u>Software</u> <u>BGN'000</u>	<u>Purchasing costs</u> <u>of intangible</u> <u>assets</u> <u>BGN'000</u>	<u>Total</u> <u>BGN'000</u>
<b>Cost</b>			
Balance at January 1, 2009	10	-	10
Acquisitions	13	65	78
Transferred from expenses for purchasing of intangible assets	46	(46)	-
<b>Balance at December 31, 2009</b>	<b>69</b>	<b>19</b>	<b>88</b>
Acquisitions	-	4	4
Written-off purchasing costs of intangible assets	-	(23)	(23)
<b>Balance at December 31, 2010</b>	<b>69</b>	<b>-</b>	<b>69</b>
<b>Accumulated depreciation</b>			
Balance at January 1, 2009	(8)	-	(8)
Depreciation charge	(14)	-	(14)
<b>Balance at December 31, 2009</b>	<b>(22)</b>	<b>-</b>	<b>(22)</b>
Depreciation charge	(29)	-	(29)
<b>Balance at December 31, 2010</b>	<b>(51)</b>	<b>-</b>	<b>(51)</b>
<b>Net book value at December 31, 2009</b>	<b>47</b>	<b>19</b>	<b>66</b>
<b>Net book value at December 31, 2010</b>	<b>18</b>	<b>-</b>	<b>18</b>

At the end of 2010, Intangible assets are tested for impairment and it was determined that no such indications exist except for the intangible assets in process of acquisition. Part of these assets were written-off and the related expense amounting to BGN 23 thousand was recognised in the Consolidated statement of comprehensive income as “Administrative expenses” (see Note 26).

The amortization and depreciation costs of intangible assets are reported in the Consolidated statement of comprehensive income as “Depreciation and amortization of non-financial assets”.

The intangible assets of the Group are not pledged as collateral.

There are no significant sales or purchases of intangible assets during the reported period.

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**7. Property, plant and equipment**

The property, plant and equipment of the Group consist of land, office and other equipment, vehicles and construction in progress.

The net book value of the Group's property, plant and equipment is analyzed as follows:

	<u>Land</u>	<u>Office equipm ent</u>	<u>Other tangible assets</u>	<u>Constru ction in progress</u>	<u>Vehicles</u>	<u>Total</u>
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
<b>Cost</b>						
Balance at January 1, 2009	-	51	5	-	24	80
Acquisitions	-	9	9	17	46	81
Disposals	-	(28)	-	-	-	(28)
<b>Balance at December 31, 2009</b>	<b>-</b>	<b>32</b>	<b>14</b>	<b>17</b>	<b>70</b>	<b>133</b>
Acquisitions	21	3	1	23	26	74
Disposals	-	-	-	-	-	-
<b>Balance at December 31, 2010</b>	<b>21</b>	<b>35</b>	<b>15</b>	<b>40</b>	<b>96</b>	<b>207</b>
<b>Accumulated depreciation</b>						
Balance at January 1, 2009	-	(47)	(2)	-	(13)	(62)
Disposals	-	27	-	-	-	27
Depreciation charge	-	(5)	(2)	-	(9)	(16)
<b>Balance at December 31, 2009</b>	<b>-</b>	<b>(25)</b>	<b>(4)</b>	<b>-</b>	<b>(22)</b>	<b>(51)</b>
Depreciation charge	-	(4)	(1)	-	(21)	(26)
<b>Balance at December 31, 2010</b>	<b>-</b>	<b>(29)</b>	<b>(5)</b>	<b>-</b>	<b>(43)</b>	<b>(77)</b>
<b>Net book value at December 31, 2009</b>	<b>-</b>	<b>7</b>	<b>10</b>	<b>17</b>	<b>48</b>	<b>82</b>
<b>Net book value at December 31, 2010</b>	<b>21</b>	<b>6</b>	<b>10</b>	<b>40</b>	<b>53</b>	<b>130</b>

In August 2010 a company of the Group acquired a land plot in General Toshevo, Tundja municipality, Yambol district, for the purpose of farmyard. The plot's area is 21 920 sq.m.

At the end of 2010, Property, plant and equipment are tested for impairment and it was determined that no such indications exist.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**7. Property, plant and equipment (continued)**

The amortization and depreciation costs of property, plant and equipment are presented in the Consolidated statement of comprehensive income as “Depreciation and amortization of non-financial assets”.

The property, plant and equipment of the Group are not pledged as collateral.

**8. Leases**

**Finance lease as a lessee**

The Group has acquired under a finance lease agreement an automobile Skoda Fabia and Toyota Avensis. The net carrying amount of these vehicles as at December 31, 2010 amounts to BGN 32 thousand (2009: BGN 41 thousand). The assets are reported as “Vehicles” (see Note 7).

Future minimum lease payments under finance leases are as follows:

	<b>Minimum lease payments</b>		
	<b>Within 1 year</b>	<b>1 to 5 years</b>	<b>Total</b>
	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>
<b>December 31, 2009</b>			
Lease payments	11	21	32
Finance charges	(2)	(2)	(4)
<b>Present value of payments</b>	<b>9</b>	<b>19</b>	<b>28</b>
<b>December 31, 2010</b>			
Lease payments	6	18	24
Finance charges	(1)	(3)	(4)
<b>Present value of payments</b>	<b>5</b>	<b>15</b>	<b>20</b>

The lease agreements include fixed lease payments and a purchase option at the end of the fourth year of the lease term. The agreements are non-cancelable, but do not contain any further restrictions. The Group has not recognized expense from contingent rents and no expenses are expected from subleases as the leased assets are used only by the Group.

**Operating lease as a lessee**

The future minimum payments under operating leases are as follows:

	<b>Minimum lease payments</b>			
	<b>Within 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>
At December 31, 2010	723	774	131	1 628
At December 31, 2009	38	54	-	92

The operating lease payments for the year ended December 31, 2010 are recognised as an expense in the Consolidated statement of comprehensive income and amount to BGN 565 thousand (2009: BGN 13 thousand). This amount contains the minimum lease payments.

The minimum operating lease payments consist of amounts due under rental contracts for lands, offices and warehouses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended December 31, 2010

**8. Leases (continued)**

**Operating lease as a lessor**

The future minimum payments under operating leases are as follows:

	<b>Minimum lease payments</b>			<b>Total</b>
	<b>Within 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	
	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>
At December 31, 2010	4 856	2 017	11	6 884

The operating lease payments for the year ended December 31, 2010 are recognised as an income in the Consolidated statement of comprehensive income and amount to BGN 4 766 thousand (2009: BGN 3 963 thousand). This amount contains the minimum lease payments.

The minimum operating lease payments consist of amounts receivable from renting out of investment property.

**9. Inventory**

The inventories of the Group recognized in the Consolidated statement of financial position can be analyzed as follows:

	<b>December 31, 2010</b>	<b>December 31, 2009</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Raw materials	26	78
Work in progress	807	892
<b>Total inventory</b>	<b>833</b>	<b>970</b>

The value of materials recognised as an expense in the Consolidated statement of comprehensive income for the year ended December 31, 2010 is BGN 687 thousand (2009: BGN 0 thousand).

A committee of internal experts of the Group has made an assessment of the available inventories, as of December 31, 2010 in order to assess whether there are available conditions for impairment to net realizable value according to the requirements of IAS 2 "Inventories". As a result of this review it is determined that the available at 31 December 2010 and 2009 inventories do not include items for which the net realizable value is lower than their carrying value, so no impairment was recognized.

The materials of the Group consist of:

	<b>December 31, 2010</b>	<b>December 31, 2009</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Sowing seeds	-	36
Fertilizers	26	42
<b>Total raw materials</b>	<b>26</b>	<b>78</b>

Work in progress consists of expenses for field cultivation and preparation for winter/spring crops sowing.

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS  
For the year ended December 31, 2010

**9. Inventory (continued)**

In accordance with the provisions of IAS 41 Agriculture, the agricultural production of the Group was measured at fair value less estimated costs of sale on initial recognition at the time of harvesting. Sofia Stock Exchange rates were used for the valuation of the agricultural production as of the date of harvest. The Group recorded impairment of production of BGN 1 055 thousand at the time of harvesting.

The agricultural production can be analysed as follows:

	Wheat		Sunflower		Total	
	Ton	BGN '000	Ton	BGN '000	Ton	BGN '000
<b>As at December 31, 2009</b>	-	-	-	-	-	-
Produced during 2010	2 683	1 718	55	55	2 738	1 773
Used in 2010	(13)	(4)	-	-	(13)	(4)
Sold in 2010	(2 590)	(1 690)	(55)	(55)	(2 645)	(1 745)
Written-off in 2010	(80)	(24)	-	-	(80)	(24)
<b>As at December 31, 2010</b>	-	-	-	-	-	-

As at the end of 2010 all agricultural production of the Group has been sold.

The change of the work in progress of the agricultural production can be analysed as follows:

	December 31, 2009 BGN'000	Accumulated expenses in 2010 BGN'000	Cost of agricultural production 2010 BGN'000	Other non- recurring farming costs BGN'000	December 31, 2010 BGN'000
Cost of materials	509	473	(687)	(2)	293
Expenses for land cultivation	368	1 321	(1 052)	(147)	490
Employee benefits expenses	15	51	(34)	(8)	24
<b>Total work in progress</b>	<b>892</b>	<b>1 845</b>	<b>(1 773)</b>	<b>(157)</b>	<b>807</b>
<b>Net change in agricultural work in progress</b>					<b>(85)</b>

Other non-recurring farming costs related to abandoned agricultural projects.

All costs for work in progress refer to agricultural season 2010/2011.

The inventories of the Group are not pledged as collateral.

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS  
For the year ended December 31, 2010

**10. Trade receivables**

	<b>December 31, 2010</b>	<b>December 31, 2009</b>
	<b>BGN'000</b>	<b>BGN'000</b>
<b>Receivables under rental agreements, gross incl.:</b>	3 104	2 785
Receivables under rental agreements for 2010/2011	1 215	-
Receivables under rental agreements for 2009/2010	1 083	942
Receivables under rental agreements for 2008/2009	581	1 519
Receivables under rental agreements for 2007/2008	225	324
Other trade receivables	36	-
Impairment of receivables for 2008/2009	(581)	-
Impairment of receivables for 2007/2008	(225)	(324)
<b>Total trade receivables</b>	<b>2 334</b>	<b>2 461</b>

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

As of September 30, 2009 the Group recognized impairment of receivables for rental agreements for 2007/2008 amounting to BGN 324. In 2010 impairment of receivables amounting to BGN 101 thousand for 2007/2008 has been recovered and respectively BGN 75 thousand are recognized in the Consolidated statement of comprehensive income as "Other Income" and BGN 26 thousand received as insurance indemnification are also recognized as "Other income".

As of December 31, 2010 the Group made an assessment of the receivables under rental agreements for 2008/2009 and 2007/08 and recognized impairment amounting to BGN 583 thousand in the Consolidated statement of comprehensive income as "Impairment of assets".

The Group makes reasonable efforts for collecting the receivables for the agricultural years 2008/2009 and 2007/2008 that have been provisioned in full.

The receivables from tenants as of December 31, 2010 refer to the agricultural 2009/2010 and 2010/2011. All trade receivables of the Group have been reviewed for indications for impairment.

The movement of the accumulated impairment of receivables from tenants is as follows:

	<b>2010</b>	<b>2009</b>
	<b>BGN'000</b>	<b>BGN'000</b>
<b>At January 1</b>	<b>324</b>	<b>-</b>
Recognised for rental agreements for 2008/2009	581	-
Recognised for rental agreements for 2007/2008	2	324
Recovered	(101)	-
<b>At December 31</b>	<b>806</b>	<b>324</b>

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS  
For the year ended December 31, 2010

**10. Trade receivables (continued)**

The most significant balances of trade receivables as of December 31, 2010 are as follows:

	<b>December 31, 2010</b>	<b>December 31, 2009</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Agrohold Bulgaria EOOD	182	-
Mega Group EOOD	164	147
ZP Nenko Ivanov Nenkov	112	39
ZP Tsvetelina Dimitrova Ivanova	68	-
ZP Dimitar Ivanov Dimitrov	60	27
Agro Tera Sever AD	53	78
GBM AD	50	-
Standart Agro AM EOOD	44	15
Silvia 7 OOD	42	-
ZP Anton Stoichev Mihailov	39	-
Markland EOOD	36	-
Ivalin Jotov ET	36	-
Ekaterina Jordanova MAT GER ET	30	31
ZP Hristo Hristov Nikolov	28	-
Satelit 4 OOD	24	-
Kemapul EOOD	20	-
Georgi Kolev Kolev	17	-
Orient 2000 EOOD	15	-
PA 97 OOD	15	-
Agroles Dimov EOOD	10	29
Hera Agro oOD	-	151
Kristera Agro EOOD	-	37
Dekadans Dimitar Shishkov ET	-	25
Margarita EOOD	-	15

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS  
For the year ended December 31, 2010

## 11. Other receivables and prepayments

Other receivables of the Group consist of:

	<b>December 31, 2010</b>	<b>December 31, 2009</b>
	<b>BGN'000</b>	<b>BGN'000</b>
<b>Other non-current receivables and prepayments</b>		
Prepayments related to purchase of investment property	443	-
<b>Total other non-current receivables and prepayments</b>	<b>443</b>	<b>-</b>
<b>Other current receivables and prepayments</b>		
Awarded receivables	544	544
Impairment of awarded receivables	(544)	(199)
<b>Net book value of awarded receivables</b>	<b>-</b>	<b>345</b>
Prepayments related to contracts for:		
Purchase of investment property	-	20
Rent of investment property	27	47
Other rents and leases	-	7
Other	35	11
Impairment of prepayments	(25)	-
<b>Net book value of prepayments</b>	<b>37</b>	<b>85</b>
Tax credits (VAT recoverable)	114	255
Receivables from legal proceedings	49	-
Impairment of receivables from legal proceedings	(49)	-
<b>Net book value of receivables from legal proceedings</b>	<b>-</b>	<b>-</b>
Legal fee and guarantee for future legal proceedings	71	-
Receivables from key management personnel (See Note 32.2)	17	2
Interest receivable	-	42
Other	10	15
<b>Total other current receivables and prepayments</b>	<b>249</b>	<b>744</b>
<b>Total other receivables and prepayments</b>	<b>692</b>	<b>744</b>

In 2010 the Parent company enters into an agreement with professional farmland trader/operator "Land Investment" AD, under which "Land Investment" AD has the obligation to purchase land on behalf of the Parent company for a consideration of BGN 1 819 thousand, prepaid by the Parent company to Land Investment. As of the end of 2010 "Land Investment" AD has finalized the purchases of land amounting to BGN 1 406 thousand and the remaining balance of the prepayment as at December 31, 2010, after accrual of BGN 30 thousand contractual penalty, amounts to BGN 443 thousand. In January 2011 the parties agree that Land Investment shall transfer to the Parent company lands amounting to BGN 12 thousand and repay the outstanding balance of the prepayment amounting to BGN 431 thousand to the Parent company. As of the date of preparation of these financial statements "Land Investments" AD has fulfilled its undertakings in full.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended December 31, 2010

**11. Other receivables and prepayments (continued)**

The changes in the accumulated impairment of awarded receivables and receivables from legal proceedings are analyzed as follows:

	<u>2010</u> <u>BGN'000</u>	<u>2009</u> <u>BGN'00</u>
<b>At January 1</b>	<b>199</b>	-
Recognised	419	199
<b>At December 31</b>	<b>618</b>	<b>199</b>

In relation to the fulfilment of the comparison method between revenues and expenses, the expenses that relate to the following agricultural years are accrued as advance payments under rent contracts and can be presented in the following way:

	<u>2012/2013</u> <u>BGN'000</u>	<u>2011/2012</u> <u>BGN'000</u>	<u>2010/2011</u> <u>BGN'000</u>	<u>2009/2010</u> <u>BGN'000</u>	<u>2008/2009</u> <u>BGN'000</u>
Carrying amount at January 1, 2009	-	-	(21)	(21)	(16)
Accrued in 2009	(1)	(3)	(3)	(4)	-
Recognised in 2009	-	-	-	6	16
<b>Carrying amount at December 31, 2009</b>	<b>(1)</b>	<b>(3)</b>	<b>(24)</b>	<b>(19)</b>	-
Accrued in 2010	-	(1)	(4)	(11)	-
Recognised in 2010	-	-	6	30	-
<b>Carrying amount at December 31, 2010</b>	<b>(1)</b>	<b>(4)</b>	<b>(22)</b>	-	-

**12. Receivables/income from agricultural subsidy**

In relation to its activity involving managing and cultivation of rented agricultural land and the production of agricultural produce, the Group has submitted an Application for Single Area Payment for 2010.

On 5 November 2010 the Group received a Notification Letter from the Paying Agency – Republic of Bulgaria and a Checklist concerning On-the-Spot Check of the areas cultivated by the Group. The eligible area for financial support for 2010 amounts to 21 068 decares (2 106.8 ha).

For evaluating the revenue from single area payments the Group has adopted a conservative approach, based on the unstable character of the calculated in advance and published by the State Fund Agriculture data about the amounts of the subsidy for 2010. In relation to this, the Group has used the amount of the government grant paid for 2009 as the basis for calculating the expected amount of the government grant for 2010, namely the EU grant of BGN 16.23 per decare (EUR 82.99 per ha).

Given this adopted conservative approach, the Group has calculated the expected revenue from single area payments to the amount of BGN 342 thousand. In March 2011 the Group received part of the 2010 subsidy, amounting to BGN 240 thousand.

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS  
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### 13. Cash and cash equivalents

Cash and cash equivalents of the Group consist of the following items:

	<b>December 31, 2010</b>	<b>December 31, 2009</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Cash at banks and cash in hand, incl.		
- in BGN	38	279
- in EUR	10	29
Short-term deposits	-	3 064
<b>Total cash and cash equivalents</b>	<b>48</b>	<b>3 372</b>

As of December 31, 2010 the cash and cash equivalents of the Group are not restricted or pledged as security.

Cash at banks earns interest at floating rates based on daily bank deposit rates. As at the balance sheet date the Group maintains bank accounts in euro and Bulgarian levs.

As at December 31, 2010 the Group does not have term deposits in banks.

### 14. Assets and disposal groups, classified as held for sale

#### *Kambanite project*

In 2006 and 2007 the former management of the Group acquires land plots in Kambanite area, in violation of the official investment policy (investments in agricultural land), with the intention to change the statute of the land to that of development. The current management exerts all rational efforts to sell the project until the end of 2011 in compliance with the Group's proclaimed investment policy and articles of association. The land in Kambanite area is not suitable for agriculture and thus can not be used as a source of rental income for the Parent Company.

The change in the Sofia General Urban Development Plan (Master Plan) which allows now to apply for change of designation was approved by the Sofia City Council and the Ministry Council of Republic of Bulgaria at the end of 2009.

In the beginning of 2010 the Group has signed contracts for market research, mediation in the sale of the mentioned property with potential clients, participation in conducting negotiations and preparation of contracts for the sale of the project and the owned property.

<u>Area</u>	<u>Average price of valuation as of 31.12.2010</u>	<u>Net book value 31.12.2010</u>	<u>Net book value 31.12.2009</u>
<b>Decares</b>	<b>BGN'000 per decare</b>	<b>BGN'000</b>	<b>BGN'000</b>
Kambanite project	183	81.97	15 001
	17 593		

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS  
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**14. Assets and groups for disposal, classified as held for sale (continued)**

**Reporting**

In accordance with the requirements of IFRS 5, the Assets held for sale are estimated and presented at the end of the reporting period by the lower of the their acquisition cost and the net realizable value decreased with respective sale expenses.

In accordance with the requirements of Art. 20 from the Special Investment Purpose Companies Act, as of 31 December 2010 and 2009 the Group assigns to a licensed appraisers the completion of a valuation of the properties held for sale, as well as a valuation of the construction parameters for those properties on the basis of the actual urban plan applicable.

The acquisition cost, the fair value of the property and the expected expenses for the development of the infrastructure are as follows:

	<b>December 31, 2010</b>	<b>December 31, 2009</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Acquisition cost	20 363	20 363
Impairment to net recoverable amount	(5 362)	(2 770)
<b>Net recoverable amount</b>	<b>15 001</b>	<b>17 593</b>

The increase in the value of the Kambanite project amounting to BGN 316 thousand is a result of the costs incurred in 2009 in relation to the activities performed for the development of a detailed urban plan and a change in the statute of the agricultural land, while the reported impairment at December 31, 2010 amounting to BGN 2 592 thousand (2009: BGN 2 770 thousand) is based on the estimates for the fair market price of the external experts in charge with the valuation (GVA SOLLERS). The impairment loss is reported in the Consolidated statement of comprehensive income as „Impairment of Assets” (Note 27).

As at December 31, 2010 the estimate for the expected costs of the infrastructure required for the project according to the valuation of the same licensed appraiser GVA SOLLERS amounts to BGN 19 815 thousand (2009: BGN 12 582 thousand) and is taken into account when determining the net recoverable amount of the project.

**15. Equity**

**15.1. Share Capital**

The registered share capital of the Parent Company 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 Parent Company.

	<b>December 31, 2010</b>	<b>December 31, 2009</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Issued and fully paid shares:		
At the beginning of the year	59 716	59 716
Issued and fully paid shares	59 716	59 716
<b>Total share capital</b>	<b>59 716</b>	<b>59 716</b>

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS  
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**15. Equity (continued)**

**15.1. Share Capital (continued)**

The list of the major shareholders is as follows:

	<b>December 31, 2010</b>		<b>December 31, 2009</b>	
	<b>Shares</b>		<b>Shares</b>	
	<b>Number of shares</b>	<b>%</b>	<b>Number of shares</b>	<b>%</b>
QVT Fund LP	29 560 880	49.50	29 560 880	49.50
Allianz Group Bulgaria	10 017 373	16.78	9 934 924	16.64
Kairos Investments	4 858 834	8.14	5 607 298	9.39
Doverie Group	2 991 766	5.01	2 869 626	4.81
Minority owners	12 287 032	20.57	11 743 157	19.66
	<b>59 715 885</b>	<b>100</b>	<b>59 715 885</b>	<b>100</b>

**15.2. Share premium**

Receipts received in addition to the nominal value of the issued in 2005 and 2006 shares, are included in the premium reserve, decreased with registration and other regulatory fees and the respective tax benefits.

Total value of the share premium reserve amounts to BGN 13,453 thousand, including BGN 9 946 thousand for 2006 and BGN 3,507 thousand for 2005.

**16. Personnel**

**16.1. Employee benefits expenses**

Employee benefit expenses of the Group include the following items:

	<b>2010</b>	<b>2009</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Wages and salaries	(115)	(49)
Management contracts	(283)	(138)
Freelance contracts- Audit Committee	(21)	(5)
Social security	(28)	(16)
Unused paid leave	(7)	(2)
<b>Total employee benefits expenses</b>	<b>(454)</b>	<b>(210)</b>

As of December 31, 2010, part of the employee benefits expenses, amounting to BGN 24 thousand (2009: BGN 15 thousand) is reported as work in progress (see note 9).

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS  
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**16. Personnel (continued)**

**16.2. Amounts payable to employees**

Amounts payable to employees of the Group as at December 31, 2010 comprise of the following items:

	<b>December 31, 2010</b>	<b>December 31, 2009</b>
	<b>BGN'000</b>	<b>BGN'000</b>
<b>Current:</b>		
Amounts payable to employees, incl.:		
- Current wages and salaries of employees hired on labour contracts	9	9
- Current wages and salaries of employees on management contracts	36	10
- Freelance contracts	1	2
- Unused paid leave	7	2
Amounts payable to social security	4	4
<b>Total amounts payable to employees</b>	<b>57</b>	<b>27</b>

The current amounts payable to employees represent liabilities to current employees of the Group, which are about to be settled in 2011.

**17. Loans**

In 2007 the Parent company issued three-year unsecured bonds (ISIN BG2100018071) amounting to EUR 10 000 thousand at fixed annual interest rate of 7%, payable two times a year and one-time repayment of the principal upon maturity. The final maturity of the principal and the last interest payment is on 3 August 2010.

In August 2010, the general meeting of the bondholders approved extension the debenture loan maturity by 3 years at a fixed annual interest rate of 8.5% and the final maturity of the principal and the last interest payment is on 3 August 2013, respectively. Also, the same general meeting of the bondholders approved a put-option with the Parent company for partial buy-back of bonds at par with the maximum nominal value of EUR 1 000 thousand on 31.10.2010 and with the maximum nominal value of EUR 1 850 thousand on 31.12.2010. In November 2010, Board of Directors approved additional buy-back of bonds at par with the maximum nominal value of EUR 10 thousand. In November and December 2010 the Parent company redeemed bonds at par with a total nominal value of EUR 2 860 thousand.

For the year ended December 31, 2010 the Parent company accrued interest expenses amounting to BGN 1 420 thousand (2009 BGN 1 365 thousand). As at December 31, 2010 the interest payable to the bondholders amounts to BGN 455 thousand (2009: BGN 561 thousand).

In February 2010 the Parent Company entered into a loan agreement with Allianz Bank Bulgaria for an overdraft amounting to EUR 340 thousand. The overdraft is repayed in full by the end of February 2010 together with the accrued interest amounting to BGN 2 thousand.

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS  
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### 18. Trade payables

Trade payable of the Group consists of the following items:

	<b>December 31, 2010</b>	<b>December 31, 2009</b>
	<b>BGN'000</b>	<b>BGN'000</b>
<b>Current:</b>		
Servicing company considerations	1 339	1 230
Amounts payables to suppliers	503	131
Prepayments for sales of investment property	450	-
Amounts payable to customers	86	-
Other	6	78
<b>Total trade payables</b>	<b>2 384</b>	<b>1 439</b>

Prepayments for sales of investment property represent advances received for contracted sale of investments property. As of the date of preparation of these financial statements, the Group completed its obligations under the sales contracts and closed the respective liabilities.

### 19. Other payables

Other payables of the Group are analyzed as follows:

	<b>December 31, 2010</b>	<b>December 31, 2009</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Prepayments for rentals	117	92
Tax liabilities, incl.:		
Withholding tax	52	-
Personal income tax	4	2
VAT payable	61	-
Total tax liabilities	117	2
Amounts payable to employees (See Note 16.2)	57	27
Guarantee remuneration under management contract	16	12
Other	10	1
<b>Total other payables</b>	<b>317</b>	<b>134</b>

Prepayments for rentals relate to advance payment receipts from tenants for future agricultural years.

### 20. Revenue from investment property rentals

Revenue from rentals of the Group's investment property is analyzed as follows:

	<b>2010</b>	<b>2009</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Rental income for 2007/08	1	12
Rental income for 2008/09	93	2 978
Rental income for 2009/10	3 458	973
Rental income for 2010/11	1 214	-
<b>Total revenue from investment property rentals</b>	<b>4 766</b>	<b>3 963</b>

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21. Loss from production sales

			2010	2009
	Wheat	Sun-flower	Total	Total
	BGN '000	BGN '000	BGN '000	BGN '000
<b>Revenue from agricultural production sales</b>	<b>903</b>	<b>37</b>	<b>940</b>	-
<b>Cost of production</b>				
<i>Direct Costs of production</i>				
Fertilizers	174	10	184	-
Sowing seeds	418	4	422	-
Fuel for cultivation of agricultural land	80	1	81	-
Cultivation of agricultural land services	583	24	607	-
<b>Total Direct Costs of production</b>	<b>1 255</b>	<b>39</b>	<b>1 294</b>	-
<i>Indirect Costs of production</i>				
Agricultural land lease and rental expenses	230	13	243	-
Warehouse rental	12	-	12	-
Transportation, loading and unloading charges of production	106	-	106	-
Insurance of production	53	-	53	-
Commissions	26	1	27	-
Statutory Fees	4	-	4	-
Employee benefit expenses	32	2	34	-
<b>Total Indirect Costs of production</b>	<b>463</b>	<b>16</b>	<b>479</b>	-
<b>Total cost of production</b>	<b>1 718</b>	<b>55</b>	<b>1 773</b>	-
Shortage and waste of production	(24)	-	(24)	-
Own seeds used	(4)	-	(4)	-
<b>Cost of production of sold goods</b>	<b>1 690</b>	<b>55</b>	<b>1 745</b>	-
<b>Selling expenses</b>				
Warehouse rental	28	-	28	-
Consultancy fees	1	-	1	-
<b>Total selling expenses</b>	<b>29</b>	<b>-</b>	<b>29</b>	-
<b>Total Cost of Sales of production</b>	<b>1 719</b>	<b>55</b>	<b>1 774</b>	-
<b>Loss from production sales</b>	<b>(816)</b>	<b>(18)</b>	<b>(834)</b>	-

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**22. Profit from sale of non-current assets**

	<u>2010</u>	<u>2009</u>
	<b>BGN'000</b>	<b>BGN'000</b>
Revenue from investment property sales	5 410	27
Cost of investment property sold	(2 915)	(12)
Statutory fees and taxes and other expenses related to sales of investment property	(51)	-
<b>Profit from sale of non-current assets</b>	<b><u>2 444</u></b>	<b><u>15</u></b>

**23. Operating segment information**

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- ▶ The Rental revenue from investment property.
- ▶ The sales and purchases of investment property.
- ▶ The segment of agricultural produce.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group financing (including finance costs and finance income) is managed on a group basis and are not allocated to operating segments.

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**23. Operating segment information (continued)**

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

December 31, 2010	Rental revenue from investment property <u>BGN'000</u>	Sales and purchases of investment property <u>BGN'000</u>	Farming <u>BGN'000</u>	Group items, adjustments and eliminations <u>BGN'000</u>	Consolidated <u>BGN'000</u>
<b>Revenue</b>					
External customers	4 766	5 410	940	-	11 116
Subsidy revenue	-	-	342	-	342
<b>Total revenue</b>	<b>4 766</b>	<b>5 410</b>	<b>1 282</b>	<b>-</b>	<b>11 458</b>
<b>Results</b>					
Cost of non-current assets sold	-	(2 966)	-	-	(2 966)
Cost of agricultural produce sold	-	-	(1 774)	-	(1 774)
Servicing company consideration	(1 360)	(374)	-	(305)	(2 039)
Administrative and other expenses	-	-	(226)	-	(226)
Impairment of assets	(2 354)	-	-	(2 592)	(4 946)
Depreciation expense	(34)	-	(21)	-	(55)
<b>Segment results</b>	<b>1 018</b>	<b>2 070</b>	<b>(739)</b>	<b>(2 897)</b>	<b>(548)</b>
Other income	101			54	155
Indirect administrative expenses				(1 903)	(1 903)
Other expenses			(182)	-	(182)
Finance costs				(1 439)	(1 439)
Finance income				56	56
<b>Profit before tax</b>	<b>1 119</b>	<b>2 070</b>	<b>(921)</b>	<b>(6 129)</b>	<b>(3 861)</b>

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**23. Operating segment information (continued)**

December 31, 2010	Rental revenue from investment property BGN'000	Sales and purchases of investment property BGN'000	Farming  BGN'000	Group items, adjustments and eliminations  BGN'000	Consolidated  BGN'000
Investment property	46 385 <sup>1</sup>	752 <sup>1</sup>	2 678 <sup>1</sup>	11 884 <sup>1</sup>	61 699
Non-current assets, excluding investment property	28	443	171	-	642
Inventory	-	-	833	-	833
Trade and other receivables	2 411	-	172	-	2 583
Receivables from agricultural subsidy	-	-	342	-	342
Cash and cash equivalents	45	-	3	-	48
Assets and disposal groups, classified as held for sale	-	-	-	15 001	15 001
<b>Operating assets</b>	<b>48 869</b>	<b>1 195</b>	<b>4 199</b>	<b>26 885<sup>2</sup></b>	<b>81 148</b>
<b>Operating liabilities</b>	<b>1 846</b>	<b>450</b>	<b>425</b>	<b>14 420<sup>2</sup></b>	<b>17 141</b>

- Investment property is split by segments based on the area of investments property related to the respective segment. Investment property rented as of December 31, 2010 is reported in Segment Rental Revenue. Investment property which has been contracted for sale with respective advance prepayment is included in Segment Sales and purchase of investment property. Segment Farming includes investment property of the Parent company which has been rented to Group entities engaged in agricultural activities. Investment property which has not been rented as of December 31, 2010 is reported as Group items.
- Segment liabilities do not include debenture loans amounting to BGN 13 965 thousand and related interest amounting to BGN 455 thousand, as these liabilities are managed on a group basis.

In 2009 the Group started the farming project and has not realized any sales. The expenses incurred were accrued as work in progress. Also, the sales of investment property were insignificant. Therefore all transaction and balances for 2009 relates to Rental Revenue Segment, except for the inventory, amounting to BGN 892 thousand.

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**24. Other income**

	<b>2010</b>	<b>2009</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Income from agricultural subsidy (see Note 12)	342	-
Recovered provisions of trade receivables (see Note 10)	75	-
Insurance indemnification	26	-
Fines, penalty fees and interest for late payments	33	-
Car rentals	4	-
Other	17	3
<b>Total other income</b>	<b>497</b>	<b>3</b>

**25. Servicing company consideration**

In accordance with the requirements of the Special purpose legislation governing the Parent-Company's activity (see note 1), the business and affairs of the Group are managed mainly by Agromanage AD, Bulgaria (the "Servicing Company"). The Servicing Company provides, in the normal course of business, a wide range of managerial and administrative services, such as:

- Management, organization and cultivation of estate properties owned by the Group.
- Consultancy and market analyses of agricultural lands in the country and consultancy regarding the management of investments of the Group
- Consultations to the Group's partners, lessees and other users of the Group's cultivated land regarding the most effective usage.
- Purchasing of agricultural land on behalf of the Group and other assets which are associated with investment strategy of the Group.
- Managing with rental and leasing activities, cultivation of agricultural land owned by the Group in the most effective way.
- Focus on production management, storage and realization of agricultural growth in the priority lands of the Group.
- Organizing financial & other accountability and correspondence of the Group

The Servicing Company receive in exchange a consideration based on the value of the managed assets, on the results from sales of investment property and on the collected rental revenue. Until 2008, the Group was serviced by Elana Property Management, Bulgaria which remuneration was calculated on the base of total assets book value and achieved profit before tax.

The servicing company consideration amounts to BGN 2 039 thousand (2009: BGN 1 522 thousand).

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**26. Administrative expenses**

Administrative expenses can be analyzed as follows:

	2010			2009		
	Investment property	Farming	Total	Investment property	Farming	Total
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Office stationary	(1)	(6)	(7)	(3)	(3)	(6)
Public utilities	-	(3)	(3)	-	-	-
Advertising materials	-	(5)	(5)	(16)	-	(16)
Fuel and maintenance parts for vehicles	-	(15)	(15)	-	(5)	(5)
Legal fees	(312)	-	(312)	(133)	-	(133)
Consultancy and accounting services	(299)	(27)	(326)	(118)	(4)	(122)
Insurance of receivables	(87)	-	(87)	-	-	-
Expenses and fees for conclusion of rental agreements	-	-	-	(59)	-	(59)
Fees (Central Depository, Financial Supervision Commission, Bulgarian Stock Exchange, etc.)	(68)	-	(68)	(17)	-	(17)
Internal audit remuneration	(48)	-	(48)	(59)	-	(59)
Rent and maintenance	(6)	(36)	(42)	(22)	(8)	(30)
Internet and communications	(18)	(7)	(25)	-	(1)	(1)
Licenced appraisers remuneration	(18)	-	(18)	(22)	-	(22)
Notary fees	(8)	(3)	(11)	-	(4)	(4)
Audit services	(15)	-	(15)	(39)	-	(39)
Marketing and PR expenses	(13)	-	(13)	(11)	-	(11)
Postal and courier services	(3)	-	(3)	(1)	-	(1)
Court charges	(10)	-	(10)	(26)	-	(26)
Membership fee for the Bulgarian Association of Agricultural Land Owners	(5)	-	(5)	(5)	-	(5)
Transportation expenses	-	(4)	(4)	-	-	-
Employee benefit expenses	(322)	(81)	(403)	(168)	(27)	(195)
Unrecognised tax credit (partial VAT recoverable)	(511)	(8)	(519)	(211)	-	(211)
Receivables written-off	(2)	-	(2)	(101)	-	(101)
Travel and transportation	(96)	(4)	(100)	(52)	(1)	(53)
Net book value of agricultural land written-off as per court orders	(15)	-	(15)	(18)	-	(18)
Representative expenses	(8)	(5)	(13)	(9)	(1)	(10)
Intangible assets in process of acquisition, written off	(23)	-	(23)	-	-	-
Other	(15)	(22)	(37)	(23)	(2)	(25)
<b>Total administrative expenses</b>	<b>(1 903)</b>	<b>(226)</b>	<b>(2 129)</b>	<b>(1 113)</b>	<b>(56)</b>	<b>(1 169)</b>

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**27. Impairment of assets**

	<u>2010</u>	<u>2009</u>
	<b>BGN'000</b>	<b>BGN'000</b>
Impairment of assets held for sale (see Note 14)	(2 592)	(2 770)
Impairment of investment property (see Note 6)	(1 352)	-
Impairment of receivables for rentals (see Note 10)	(583)	(324)
Impairment of awarded receivables and prepayments (see Note 11)	(419)	(199)
<b>Total impairment of assets</b>	<b>(4 946)</b>	<b>(3 293)</b>

The impairment of trade receivables amounting to BGN 583 thousand (2009: BGN 324 thousands) is further analyzed in Note 10. The impairment of awarded receivables and receivables from legal proceedings amounting to BGN 419 thousand (2009: BGN 199 thousands) is further analyzed in Note 11.

Detailed information for the impairment of assets held for sale, amounting to BGN 2 592 thousand as of December 31, 2010 (2009: BGN 2 770 thousand) is provided in Note 14.

**28. Other expenses**

Other expenses of the Group consist of the following items:

	<u>2010</u>	<u>2009</u>
	<b>BGN'000</b>	<b>BGN'000</b>
Non-recurrent agricultural costs	(157)	-
Shortages and waste of agricultural production	(24)	-
Consultancy fee	(1)	-
<b>Total other expenses</b>	<b>(182)</b>	<b>-</b>

**29. Finance costs and income**

Finance costs of the Group are analyzed as follows:

	<u>2010</u>	<u>2009</u>
	<b>BGN'000</b>	<b>BGN'000</b>
Interest expense on debenture loan	(1 420)	(1 365)
Interest expense on bank loan	(2)	-
Bank fees	(6)	(4)
Bank loan fees (reimbursed to the Fund by the servicing company)	-	-
Broker commission for buy-back of bonds	(6)	-
Foreign exchange losses	(3)	-
Interest expense on finance lease	(2)	-
<b>Total finance costs</b>	<b>(1 439)</b>	<b>(1 369)</b>

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS  
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**29. Finance costs and income (continued)**

The finance income of the Group comprise of the following items:

	<u>2010</u>	<u>2009</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Interest earned on bank deposits	52	242
Interest income on bank accounts	1	1
Foreign exchange gains	3	-
<b>Total finance income</b>	<b><u>56</u></b>	<b><u>243</u></b>

As of December 31, 2009 the Parent company has open deposits with Bulgarian banks as follows:

- Term deposit amounting to BGN 1 500 thousand at 2.5% annual interest rate;
- Call deposit amounting to BGN 4 thousand

**30. Income tax**

	<u>2010</u>	<u>2009</u>
	<u>BGN'000</u>	<u>BGN'000</u>
<b>Consolidated Statement of Comprehensive Income</b>		
Current tax expense	-	-
Deferred tax income	51	-
<b>Net Tax Income</b>	<b><u>51</u></b>	<b><u>-</u></b>

The Group accrues the current taxes in accordance with the Bulgarian legislation.

According to the Corporate Income Taxation Act, companies licensed to operate under the Special Investment Purpose Companies Act are not required to pay corporate income tax. As a result, as of the date of the financial statements, the Parent company has not accrued any current and deferred taxes.

The expected tax expense, based on the effective tax rate of 10% and actually recognized tax expenses in the profit or loss of the subsidiaries within the Group, subject to corporate income tax, can be presented as follows:

	<u>2010</u>	<u>2009</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Loss before taxation	(3 861)	(3 159)
Tax rate	10%	10%
Expected income tax credit	386	316
Tax effect on losses from activities according to the Special Investment Purpose Companies Act	(280)	(309)
Tax effect on unrecognised tax losses	(55)	(7)
<b>Net Income Tax Credit</b>	<b><u>51</u></b>	<b><u>-</u></b>

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS  
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**30. Income tax (continued)**

Deferred income tax at 31 December relates to the following items:

	Consolidated statement of financial position		Consolidated Statement of Comprehensive Income	
	2010 BGN'000	2009 BGN'000	2010 BGN'000	2009 BGN'000
<i>Deferred income tax asset</i>				
Tax losses carried forward	51	-	51	-
	<u>51</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Deferred Income Tax Credit</b>			<u>51</u>	<u>-</u>
<b>Deferred Tax Assets</b>	<u>51</u>	<u>-</u>		

Deferred tax assets amounting to BGN 51 thousand are recognised for the tax losses carried forward since the realisation of the related tax benefit through the existence of future taxable profits in the period 2011-2015 is considered probable by the management. The Group has tax losses that are available for offset against future taxable profits until 2015. Deferred tax asset amounting to BGN 55 thousand is not recognised on these tax losses since the subsidiaries have been loss-making for some time or it is not considered probable that tax benefit will be obtained in the future.

**31. Earnings/(loss) per share**

The earnings / (loss) per share and the earnings / (loss) per reduced value share have been calculated using the net profit / (loss) as a numerator, a subject of distribution between the shareholders of the Parent-company.

The weighted-average number of shares, used for the estimation of the earnings / (loss) per share, as well as the net profit / (loss), a subject of distribution between the ordinary shareholders, is presented as follows:

	2010	2009
Loss subject of distribution (BGN'000)	<u>(3 810)</u>	<u>(3 159)</u>
Weighted average number of shares	<u>59 715 885</u>	<u>59 715 885</u>
<b>Basic loss per share (BGN per share)</b>	<u><b>(0.064)</b></u>	<u><b>(0.053)</b></u>

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**31. Earnings/(loss) per share**

Adjustments to the financial result of the Group for the year ended December 31, 2010 in accordance with the provisions of Art.10, p.1 of the Special Investment Purpose Companies Act:

	<u>2010</u>	<u>2009</u>
	<b>BGN'000</b>	<b>BGN'000</b>
Profit for distribution /accounting profit/(loss)	(3 810)	(3 159)
1. Increased/decreased with the expenses/revenues of subsequent valuations of the property	3 944	2 770
2. Increased/decreased with loss / profit from transfer of property arrangements	(2 495)	(15)
3. Increased/decreased in the year of transfer of ownership of the property with the positive / negative difference between:	2 495	15
a) the sale price of the property	5 410	27
b) the historic price amount of the property and the following expenses, leading to the increase in its carrying amount	(2 915)	(12)
4. Increased/decreased with the loss/profit from sales, reported for the year of the signing of the finance lease contract	-	-
5. Increased / decreased in the year of the expiration of the finance lease contract with the positive/negative difference between:	-	-
a) the profit from the sale of the property, reported in the beginning of the finance lease contract	-	-
b) the sum of the historic price of the property and the following costs, leading to the increase in its carrying amount	-	-
<b>Adjusted profit/(loss)</b>	<b><u>134</u></b>	<b><u>(389)</u></b>

**32. Related parties transactions**

The related parties of the Group include key management personnel described below.

If it is not specifically mentioned, the transactions with related parties are not completed in special terms and no guarantees are granted or received. Liabilities are usually settled through bank transfers.

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### 32. Related parties transactions (continued)

#### 32.1. Transactions with key management personnel

The key management personnel of the Group includes the members of the Board of Directors of the Parent-Company and the Managers of the Subsidiaries. The considerations of the key management personnel include the following:

	<u>2010</u>	<u>2009</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Short-term considerations:		
Considerations on management contracts	(283)	(138)
Social security expenses	(10)	(5)
<b>Total considerations</b>	<u>(293)</u>	<u>(143)</u>
<b>Guarantee remuneration under management contract</b>	<u>16</u>	<u>12</u>

#### 32.2. Related party balances as at the end of the year

	<u>December 31,</u>	<u>December 31,</u>
	<u>2010</u>	<u>2009</u>
	<u>BGN'000</u>	<u>BGN'000</u>
<b>Current</b>		
<b>Receivables from:</b>		
-key management personnel	17	2
<b>Total current receivables from related parties</b>	<u>17</u>	<u>2</u>
<b>Total receivables from related parties</b>	<u>17</u>	<u>2</u>
<b>Current</b>		
<b>Payables to:</b>		
-key management personnel	54	22
<b>Total current payables to related parties</b>	<u>54</u>	<u>22</u>
<b>Total payables to related parties</b>	<u>54</u>	<u>22</u>

The liabilities of the Group for the retained guarantees under management contracts are presented in the Consolidated statement of financial position as "Other payables" (see Note 19).

### 33. Non-cash transactions

During the presented reporting periods, the Group entered into the following non-cash investing and financing activities which are not reflected in the Statement of cash flows:

- Acquired assets – agricultural land as a result of exchange arrangements amounting to BGN 244 thousand (2009 r: BGN 14 thousand);

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### 34. Risk associated with financial instruments

#### Strategy of the management in relation to the financial risk management

The Group is exposed to different types of risk in relation to its financial instruments. For detailed information regarding the financial assets and liabilities of the Group see Note 34.4. The most significant financial risks are: market risk, credit risk and liquidity risk.

The risk management of the Group is done by the management. The management's priority is to secure short-term and mid-term cash flow as it decreases the exposure on the financial markets.

#### 34.1. Market risk analysis

##### 34.1.1. Currency risk

Most of the Group's transactions are carried out in Bulgarian Leva (BGN). Foreign transactions, denominated mainly in Euro, expose the Group to currency risk.

To decrease the currency risk, the Group watches closely cash flows which are not in BGN. In general there are separate procedures for risk management of the short-term (up to 6 months) and long-term cash flows in foreign currency. In the cases where amounts for payment or receipt in a particular currency are expected to be compensated mutually, then additional hedging is not necessary.

Financial assets and liabilities of the Group denominated in foreign currency and revaluated in BGN at the end of the reporting period are presented as follows:

	<b>Exposure to short-term risk</b>	<b>Exposure to long-term risk</b>
	<b>BGN'000</b>	<b>BGN'000</b>
<b>December 31, 2010</b>		
Financial assets	10	-
Financial liabilities	(560)	(13 980)
<b>Total risk exposure</b>	<b>(550)</b>	<b>(13 980)</b>
<b>December 31, 2009</b>		
Financial assets	29	-
Financial liabilities	(20 128)	(19)
<b>Total risk exposure</b>	<b>(20 099)</b>	<b>(19)</b>

##### 34.1.2. Interest rate risk

The Group's policy is aiming for minimization of interest rate risk in long-term financing. As of December 31, 2010 the Group is not exposed to a change in interest rate risk, because the financial assets and liabilities are with fixed interest rates.

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**34. Risk associated with financial instruments (continued)**

**34.2. Credit risk**

Credit risk arises when the Group's counterparties are unable to pay their liabilities when they become due. The Group is exposed to this risk in relation to different financial instruments, for example when there are client receivables, deposit of resources, investments in bonds, etc. The Group's exposure to credit risk is limited to the carrying amount of the financial assets, recognized at the end of the reporting period, as it is shown below:

	<u>2010</u>	<u>2009</u>
	<b>BGN'000</b>	<b>BGN'000</b>
Groups financial assets – carrying amounts:		
Cash and cash equivalents	48	3 372
Trade and other receivables	<u>2 432</u>	<u>2 461</u>
<b>Carrying amount</b>	<b><u>2 480</u></b>	<b><u>5 833</u></b>

The Group regularly monitors the non-performance of the client obligations and other counterparties, separately or in groups, and uses this information for credit risk control. A policy of the Group is to complete transactions only with clients with good credit rating. The management considers that all mentioned financial assets that are not being impaired or are matured during the presented reporting periods, are financial assets with high credit value.

Financial assets are not pledged by the Group as a collateral on other transactions.

In relation to trade and other receivables, the Group is not exposed to significant credit risk to separate counterparties or to a group of counterparties that have similar characteristics. On the base of historical indicators, the management believes that the credit valuation of trade receivables that are not expired is good.

Credit risk in relation to cash and cash equivalents is believed to be insignificant, because the counterparties are banks with good reputation and high credit rating.

The carrying amounts described below together with the recognized impairment as described in Note 10 and Note 11 represent the maximum possible credit risk exposure of the Group in regard of these financial instruments.

**34.3. Liquidity risk analysis**

The Group monitors its cash flows, the maturity of its debt obligations and its liquidity in order to assess its exposure to liquidity risk. The need for liquidity resources are monitored in different time periods – daily and weekly, as on the base of 30 day forecasts. The needs of liquidity resources in a long-term plan– for periods of 180 and 360 days are determined monthly. The needs of cash resources are compared to the available loans in order to be established surplus and deficits. This analysis determines whether the available loans will be enough to cover the needs of the Group for the period.

The Group maintains sufficient cash resources to finance its liquidity needs for periods up to 30 days. Funds for the long-term liquidity needs are provided through sales of non-current financial assets.

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**34. Risk associated with financial instruments (continued)**

**34.3. Liquidity risk analysis (continued)**

As of December 31, 2010 the maturities of the contractual obligations of the Group (including interest payments as necessary) are generalized as follows:

	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	More than 5 years
	BGN'000	BGN'000	BGN'000	BGN'000
<b>December 31, 2010</b>				
Debenture loan	600	588	16 339	-
Obligations under finance lease	3	3	18	-
Trade and other liabilities	2 467	117	-	-
<b>Total</b>	<b>3 070</b>	<b>708</b>	<b>16 357</b>	<b>-</b>

	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	More than 5 years
	BGN'000	BGN'000	BGN'000	BGN'000
<b>December 31, 2009</b>				
Debenture loan	682	20 235	-	-
Obligations under finance lease	6	5	21	-
Trade and other liabilities	1 465	-	-	-
<b>Total</b>	<b>2 153</b>	<b>20 240</b>	<b>21</b>	<b>-</b>

The amounts reported in this analysis of the maturities of the liabilities, represent the undiscounted cash flows on contracts, which can be different than the carrying amounts of the liabilities at the date of the statement.

**34.4. Categories financial assets and liabilities**

The carrying amounts of financial assets and liabilities of the Group can be presented in the following categories:

Financial assets	Note	December 31,	December 31,
		2010	2009
		BGN'000	BGN'000
Loans and receivables:			
Trade and other receivables	10,11	2 432	2 461
Cash and cash equivalents	13	48	3 372
		<b>2 480</b>	<b>5 833</b>

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**34. Risk associated with financial instruments (continued)**

**34.4. Categories financial assets and liabilities (continued)**

<b>Financial liabilities</b>	<b>Note</b>	<b>December 31, 2010</b>	<b>December 31, 2009</b>
		<b>BGN'000</b>	<b>BGN'000</b>
Financial liabilities, measured at amortized cost:			
Non-current liabilities:			
Obligations under debenture loan, incl. interest	17	13 965	-
Obligations under finance lease	8	15	19
Current liabilities:			
Obligations under debenture loan, incl. interest	17	455	20 119
Obligations under finance lease	8	5	9
Trade and other liabilities	18,19	2 584	1 454
		<b>17 024</b>	<b>21 601</b>

**35. Policy and procedures for capital management**

The Group's goals in relation to capital management are:

- to provide capability of the Companies to keep acting as a going concern and
- to provide adequate profitability for the owners, as it determines the price of products and services in relation to the level of risk

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

The Debt/Equity ratio is as follows:

	<b>December 31, 2010</b>	<b>December 31, 2009</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Debt	14 440	20 147
Cash and cash equivalents	(48)	(3 372)
Net debt	14 392	16 775
Equity	64 007	67 817
<b>Net debt/equity</b>	<b>0.22</b>	<b>0.25</b>

**36. Post balance sheet events**

Until March 2011 Land Investments repaid the total advance for acquisition of land to the Parent company (see Note 11), and the Parent company fulfilled its undertakings and completed the transactions for sales of its investment property to third parties, who provided advances (see Note 19). In March 2011 the Group received part of the 2010 subsidy, amounting to BGN 240 thousand (see Note 12).