



Interim Consolidated Financial Statements

ELARG AGRICULTURAL LAND OPPORTUNITY FUND REIT

30 September 2010

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Interim Consolidated Statement of Financial Position

ASSETS	Note	30.09.2010	31.12.2009
		BGN	BGN
Non-current			
Investment property	4	63,861	64,249
Intangible assets	5	50	66
Plant and equipment	6	125	82
Non-current assets		64,036	64,397
Current			
Inventories	8	1,420	970
Trade receivables	9	3,647	2,461
Advance payments	10	219	31
Tax receivables	12	108	255
Agricultural subsidy receivables	11	342	-
Other receivables	13	453	458
Related parties receivables	31.2	8	-
Cash and cash equivalents	14	2,989	3,372
Current assets		9,186	7,547
Assets and disposal groups, classified as held for sale	15	17,593	17,593
TOTAL ASSETS		90,815	89,537

Prepared by: _____

Executive Director: _____
 / ELARG Agricultural Land Opportunity Fund REIT/

Date: 25.11.2010

Interim Consolidated Statement of Financial Position (continued)

EQUITY AND LIABILITIES	Note	30.09.2010 BGN	31.12.2009 BGN
Equity			
Share capital	16.1	59,716	59,716
Share premium	16.2	13,453	13,453
Accumulated loss		(5,407)	(5,352)
Total equity		<u>67,762</u>	<u>67,817</u>
Liabilities			
Non-current			
Debenture loans	18	19,558	-
Finance lease liabilities	7	17	19
Non-current liabilities		<u>19,575</u>	<u>19</u>
Current			
Employee obligations	17.2	46	27
Debenture loans	18	-	19,558
Interest on debenture loans	18	264	561
Finance lease liabilities	7	5	9
Trade liabilities and advances received	19	3,068	1,439
Tax liabilities	20	10	2
Advance payments under rental contracts	21	72	92
Other Liabilities	22	13	13
Current liabilities		<u>3,478</u>	<u>21,701</u>
Total liabilities		<u>23,053</u>	<u>21,720</u>
Total equity and liabilities		<u>90,815</u>	<u>89,537</u>

Prepared by: _____

Executive Director: _____
 / ELARG Agricultural Land Opportunity Fund REIT/

Date: 25.11.2010

Interim Consolidated Statement of Comprehensive Income

	Note	9 months to 30.09.2010 BGN	9 months to 30.09.2009 BGN
Rental revenue from investment property	23	3,513	2,905
Other income		42	-
Agricultural subsidy income	11	342	-
Cost of materials	25	(208)	(56)
Hired services expenses	26	(2,639)	(1,394)
Employee benefits expenses	17.1	(280)	(126)
Depreciation and amortization of non-financial assets	5,6	(40)	(21)
Gains from sale of non-current assets	24	333	6
Other expenses	27	(403)	(745)
Effects from fair value measurement of production	27	(952)	-
Changes in inventories and unfinished production		1,266	84
Operating profit		974	653
Finance costs	28	(1,079)	(1,021)
Finance income	28	50	199
Profit / (loss) before tax		(55)	(169)
Income tax expense	28	-	-
Profit / (loss) for the year		(55)	(169)
Other comprehensive income for the year, net of taxes		-	-
Total comprehensive income for the year		(55)	(169)
Earnings / (loss) per share:		BGN	BGN
Basic earnings per share:			
Profit / (loss)	30	(0.0009)	(0.0028)

Prepared by: _____

Executive Director: _____
 /ELARG Agricultural Land Opportunity Fund REIT/

Date: 25.11.2010

Interim Consolidated Statement of Changes in Equity

All amounts are presented in BGN	Share capital	Share premium	Accumulated losses	Total equity
Balance at 1 January 2010	59,716	13,453	(5,352)	67,817
Loss for the period	-	-	(55)	(55)
Other comprehensive income for the year, net of taxes	-	-	-	-
Total comprehensive income for the period	-	-	(55)	(55)
Balance at 30 September 2010	59,716	13,453	(5,407)	67,762
Balance at 1 January 2009	59,716	13,453	(2,193)	70,976
Loss for the year	-	-	(3,159)	(3,159)
Other comprehensive income for the year, net of taxes	-	-	-	-
Total comprehensive income for the year	-	-	(3,159)	(3,159)
Balance at 31 December 2009	59,716	13,453	(5,352)	67,817

Prepared by: _____ Executive Director: _____
 /ELARG Agricultural Land Opportunity Fund REIT/

Date: 25.11.2010

Interim Consolidated Statement of Cash Flows

	Note	9 months to 30.09.2010 BGN	9 months to 30.09.2009 BGN
Operating activities			
Cash flows from customers - property leases		2,447	622
Cash paid to suppliers		(3,053)	(1,681)
Cash paid to employees and social security institutions		(232)	(121)
Taxes paid/remitted		155	(95)
Interest received		87	87
Other proceeds/(payments) for operating activities		(168)	(23)
Net cash flow from operating activities		(764)	(1,211)
Investing activities			
Purchase of property, plant and equipment		(68)	(237)
Purchase of intangible assets		-	(44)
Cash flows from sale of investment property		703	17
Advance payments for sale of investment property		1,020	-
Net cash flows from investing activities		1,655	(264)
Financing activities			
Proceeds from loans		665	-
Repayment of loans		(665)	-
Interest paid		(1,272)	(1,272)
Finance lease interest paid		(2)	-
Net cash flows from financing activities		(1,274)	(1,272)
Net change in cash and cash equivalents			
		(383)	(2,747)
Cash and cash equivalents, beginning of year		3,372	5,456
Cash and cash equivalents, end of year	14	2,989	2,709

Prepared by: _____

Executive Director: _____
 /ELARG Agricultural Land Opportunity Fund REIT/

Date: 25.11.2010

Notes to the Interim consolidated financial statements

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 Fund 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 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 Parent-Company, and its mailing address is Sofia 1407, bul. Nikola Vaptsarov 16.

Special purpose legislation governing the Parent-Company ty includes the Special Investment Purpose Companies Act and the Public Offering of Securities Act. The Company is subject to regulation from the Financial Supervision Commission (FSC) on the basis of these acts. The 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 30 September 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 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 30 September 2010 the Parent-Company is represented by the Executive Director Andrey Valerievich Kruglykhin.

As of 30 September 2010 the Parent-Company has issued 59,715,885 shares with a value of 1 BGN each.

1.1.2. Parent-Company

Scope of business

Elarg Agricultural Land Opportunity Fund REIT is investment of cash funds raised through securities issues in agricultural land. The Fund 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 is directed towards appreciation of the Parent-Company shares and dividend payments to the shareholders while maintaining and increasing the amount of equity.

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 Company

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 Parent-Company an amendment in the Company 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

1.2. Subsidiaries included in the Consolidation of ELARG AGRICULTURAL LAND OPPORTUNITY FUND REIT are as follows:

ELARG AGRICULTURAL LAND OPPORTUNITY FUND REIT has direct control over two subsidiaries.

Subsidiaries	Country	Registered capital	Owned by ELARG AGRICULTURAL LAND OPPORTUNITY FUND REIT
ELARG AGRO EOOD	Bulgaria	50,000	100%
ELARG WIND EOOD	Bulgaria	5,000	100%

Subsidiaries are established in June 2009.

The representation of the comparative information for the period 1 January 2009 30 September 2009 in the Comprehensive income statement and in the Statement of cash flows includes data for the Parent-Company and for its Subsidiaries for the period following their registration on 4 June 2009 and 30 June 2009.

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 registered office and principal place of business is Sofia, Lozenets District, bul. Nikola Vaptsarov 16.

The Company has a share capital of BGN 50,000 distributed in 1000 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 program 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 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 an assembled equipment on agricultural land owned by Elarg Agricultural Land Opportunity Fund REIT in relation with researches and analysis on the above mentioned project.

2. Basis for the preparation of the financial statements

The Group 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 Company.

The Group 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 investments in subsidiaries are presented in accordance with IAS 27 Separate Financial Statements

The interim consolidated financial statements as of 30 September 2010 was approved by the Board of Directors on 25 November 2010.

3. Accounting policy

3.1. 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 the Consolidated financial statements, actual results may ultimately differ from those estimates.

3.2. Presentation of the Consolidated financial statements

The financial statements are presented in accordance with IAS 1 Statements

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

3.3. Basis of consolidation

In the financial statements of the Group are consolidated the financial statements of the Parent-Company and all subsidiaries as of 30 September 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 an interim reporting period, ending on 30 September 2010.

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 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.

3.4. Foreign currency transactions

The Consolidated financial statements are presented in Bulgarian Leva (BGN), which is also the functional currency of the Company.

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.

3.5. Revenues

Revenue comprises revenue from the sale of goods and the rendering of services. Revenues from main services are presented in Note 23.

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 Company.

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 Company are met. They are determined according to the goods and services offered to the client and to the contract terms which are shown below:

3.5.1. 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.

3.5.2. Interest revenues

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.

3.6. 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.

3.7. 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.

3.8. Intangible 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 has been included within Depreciation and amortization of non-financial assets Interim consolidated comprehensive income statement.

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

3.9. Plant and equipment

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.

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.

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:

Category of asset	Estimated useful life
Plant and equipment	3.33 years
Vehicles	4 years
Agriculture equipment	6.67 years
Computer equipment	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
-current assets in the Interim consolidated statement of comprehensive income.

Depreciation costs are included in the Interim consolidated statement of comprehensive income on the
-financial assets .

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

3.10. Reporting of lease contracts

In accordance with IAS 17 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

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.

3.11. 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 –generating unit amount, Group 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 impairment testing procedures are directly linked to the Group 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 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 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 carrying amount.

3.12. Investment property

Investment properties in which the Group invests consist 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 their initial recognition the investment properties are recorded by their cost of acquisition decreased with all accumulated depreciation and impairment losses.

Subsequent costs related to investment property already recognized in the Company 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 and Hired services expenses respectively and are recognized as it is described in Notes 3.5 and 3.6.

3.13. 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.

3.13.1. 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 or the way it is measured and whether any resulting income and expenses are recognized in the 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 Income statement are a subject of an impairment test as of the date of the 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 amount, and are presented in the Interim consolidated comprehensive income statement with the exception of impairment loss of trade receivables, which is represented as

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 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.

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 Interim consolidated comprehensive income statement as

3.13.2. Financial liabilities

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

Financial liabilities are recognized when the Company 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 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.

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

3.14. 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 income profit tax. As a result, as of the date of the financial statements, the Company has not accrued any current and deferred taxes.

3.15. Cash and cash equivalents

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

3.16. Inventories

Inventories include raw materials, unfinished production 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 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.

3.17. Non-current assets classified as held for sale

When the company 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 Interim 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.

3.18. 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 reliefs.

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

3.19. 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 Company 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 incomes of employees, including unutilized paid leaves, are included in the current liabilities as s by their undiscounted value, which the Company expects to pay.

3.20. 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.

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.

3.21. 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 3.22.

3.21.1. Revenues

Rental income is accrued after the receipt of a signed rental agreement in the servicing company 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.

3.21.2. Leases

In accordance with IAS 17, the Group 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.

3.22. Estimation uncertainty

In the preparation of the Consolidated financial statements, the 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 judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

3.22.1. Impairment

An impairment loss is recognized for the amount by which the assets 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.

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.

3.22.2. Useful life of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date. At the end of every reporting period management assesses the useful lives of the Group assets which represent the expected utility. The carrying amounts are analyzed in notes 5 and 6. Actual results, however, may vary due to technical obsolescence, particularly relating to software and IT equipment.

3.22.3. 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.

3.22.4. Provisions

The company 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 Company

4. Investment property

Investment properties in which the Group invests consist of agricultural land on the Republic of Bulgaria territory, which is held for rental income, as well as increasing their value through their gradual concentration, and also agricultural land bought with the intention of consolidation and regrouping by territory and regions.

The changes in their carrying amounts presented in the Consolidated financial statements can be analyzed as follows:

	BGN
Gross carrying amount	
Balance at 1 January 2010	64,249
Additions in 2010:	-
Disposals in 2010:	(388)
Balance at 30 September 2010	63,861
Carrying amount at 30 September 2010	63,861
Gross carrying amount	
Balance at 1 January 2009	62,842
Additions in 2009:	14
- by exchanges	14
Investment properties reclassified in 2009 (Wind park Vetrino) from Assets held for sale	1,438
Disposals in 2009	(45)
Balance at 31 December 2009	64,249
Carrying amount at 31 December 2009	64,249

As of 30 September 2010, the properties owned by the Group amount to 63,861 thousand BGN.

Total investment property	Area in decares	Acquisition amount BGN 00	Carrying amount BGN
Balance at 31 December 2009	293,034	64,249	64,249
Additions in 2010	4	-	-
Disposals in 2010	(1,764)	(388)	(388)
Balance at 30 September 2010	291,274	63,861	63,861

Investment properties are not pledged as a collateral on loans.

The rent revenues for the period ending on 30 September 2010 amount to 3,513 thousand BGN (2009: 2,905 thousand BGN) and are included in the Interim consolidated comprehensive income statement as Rental revenue from investment property

5. Intangible assets

Intangible assets of the Group include program products and intangible assets in the process of acquisition. The carrying amounts for the presented reporting periods can be analysed as follows:

	Software BGN	Purchasing cost of intangible assets BGN	Total BGN
Gross carrying amount			
Balance at 1 January 2010	69	19	88
Additions, purchased	-	4	4
Balance at 30 September 2010	69	23	92
Amortization and impairment			
Balance at 1 January 2010	(22)	-	(22)
Amortization	(20)	-	(20)
Balance at 30 September 2010	(42)	-	(42)
Carrying amount at 30 September 2010	27	23	50
	Software BGN	Purchasing cost of intangible assets BGN	Total BGN
Gross carrying amount			
Balance at 1 January 2009	10	-	10
Additions, purchased	13	65	78
Transferred from expenses for purchasing of intangible assets	46	(46)	-
Balance at 31 December 2009	69	19	88
Amortization and impairment			
Balance at 1 January 2009	(8)	-	(8)
Amortization	(14)	-	(14)
Balance at 31 December 2009	(22)	-	(22)
Carrying amount at 31 December 2009	47	19	66

All amortization costs are included in the Interim consolidated comprehensive income statement as Depreciation and amortization of non-financial assets

6. Plant and equipment

Plant and equipment of the Group includes office equipment, inventory, vehicles and expenditures for acquisitions of non-current assets.

The carrying amount can be analyzed as follows:

	Investment Property	Office Equipment	Other equipment	Expenditures for acquisition of assets	Vehicles	Total
	BGN	BGN	BGN	BGN	BGN	BGN
Gross carrying amount						
Balance at 1 January 2010	-	32	14	17	70	133
Additions	21	3	-	14	25	63
Disposals	-	-	-	-	-	-
Balance at 30 September 2010	21	35	14	31	95	196
Depreciation and impairment						
Balance at 1 January 2010	-	(25)	(4)	-	(22)	(51)
Depreciation	-	(4)	(1)	-	15	(20)
Balance at 30 September 2010	-	(29)	(5)	-	(37)	(71)
Carrying amount at 30 September 2010	21	6	9	31	58	125
	Investment Property	Office Equipment	Other equipment	Expenditures for acquisition of assets	Vehicles	Total
	BGN	BGN	BGN	BGN	BGN	BGN
Gross carrying amount						
Balance at 1 January 2009	-	51	5	-	24	80
Additions	-	9	9	17	46	81
Disposals	-	(28)	-	-	-	(28)
Balance at 31 December 2009	-	32	14	17	70	133
Depreciation and impairment						
Balance at 1 January 2009	-	(47)	(2)	-	(13)	(62)
Disposals	-	27	-	-	-	27
Accumulated depreciation	-	(5)	(2)	-	(9)	(16)
Balance at 31 December 2009	-	(25)	(4)	-	(22)	(51)
Carrying amount at 31 December 2009	-	7	10	17	48	82

All depreciation expenses are included in the Interim consolidated comprehensive income statement as -financial assets

The group has not offered properties, plant, and equipment as a collateral on loans.

7. Lease

7.1. Finance lease

The Group has acquired under a finance lease agreement an automobile Skoda Fabia and Toyota Avensis. Their net carrying amount is 32 thousand BGN (2009: 48 thousand BGN). The assets are included under 6).

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

	Minimum lease payments due		
	Within 1 year BGN	1 to 5 years BGN	Total BGN
30 September 2010			
Lease payments	7	19	26
Finance charges	(2)	(2)	(4)
Net present value	5	17	22
31 December 2009			
Lease payments	11	21	32
Finance charges	(2)	(2)	(4)
Net present value	9	19	28

The lease agreement includes fixed lease payments and a purchase option at the end of the fourth year of the lease term. The agreement is non-cancellable but does not contain any further restrictions.

8. Inventories

The inventories of the Group are recognized in the Interime consolidated statement of financial position and can be analyzed as follows:

	30.09.2010 BGN	31.12.2009 BGN
Raw materials	214	78
Agricultural produce	854	-
Unfinished production	352	892
Inventories	1,420	970

The unfinished production as of 30 September 2010 consists of following:

Cost of materials 15 thousand BGN
 Hired services expenses 326 thousand BGN
 Employee benefits expenses 11 thousand BGN

The unfinished production refers expenses accumulated for the agricultural 2010/2011 year.

The agricultural produce consists of the following:

Wheat 823 thousand BGN;
 Sunflower 31 thousand BGN.

None of the inventories are pledged as securities for liabilities.

9. Trade receivables

	30.09.2010 BGN	31.12.2009 BGN
Gross receivables under rental agreements, including:		
Receivables under rental agreements for 2009/2010	3,806	2,785
Receivables under rental agreements for 2008/2009	2,932	942
Receivables under rental agreements for 2007/2008	651	1,519
Receivables from clients and suppliers	223	324
Receivables from clients and suppliers	64	-
Impairment of receivables 2007/2008	(223)	(324)
Trade receivables	3,647	2,461

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

As of 30 September 2010 the receivables from tenants refer to the agricultural 2008/2009 and 2009/2010 year.

10. Advance payments

The most significant advance payments as of 30 September 2010 are presented below:

	30.09.2010 BGN	31.12.2009 BGN
Land Investment EOOD	182	-
Farma Land Plevan OOD	15	-
Dimitar Ivanov	9	9
Aleksandar Elenkov	6	6
Pepa Arsenova	5	5
Others	2	11
	219	31

11. Agricultural subsidy Receivables/Income

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

On 5 November 2010 the Company 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 Company. The eligible area for financial support for 2010 amounts to 21,068 decares.

For valuation of the revenue from single area payments, the Company 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 Company 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.

Given this adopted cautious approach, the Company has calculated the expected revenue from single area payments to amount to BGN 342 thousand.

12. Tax receivables

	30.09.2010 BGN	31.12.2009 BGN
VAT receivables	108	255
	108	255

13. Other receivables

	30.09.2010 BGN	31.12.2009 BGN
Awarded receivables	544	544
Impairment of the awarded receivables	(199)	(199)
Carrying amount of the awarded receivables	345	345
Court receivables	49	-
Impairment of the court receivables	(49)	-
Carrying amount of the court receivables	-	-
Advance payments in relation to:		
Lease agreements	28	47
Rent agreementst	-	7
Prepaid insurance	59	-
Interest receivables	4	42
Other receivables	17	17
Trade receivables	453	458

In order to apply the matching princpal 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:

	2012/2013 BGN	2011/2012 BGN	2010/2011 BGN	2009/2010 BGN	2008/2009 BGN
Carrying amount at 1 January 2010	(1)	(3)	(24)	(19)	-
Accrued in 2010	-	-	-	(1)	-
Recognized in 2010	-	-	-	20	-
Carrying amount at 30 September 2010	(1)	(3)	(24)	-	-
Carrying amount at 1 January 2009	-	-	(21)	(21)	(16)
Accrued in 2009	(1)	(3)	(3)	(4)	-
Recognized in 2009	-	-	-	6	16
Carrying amount at 31 December 2009	(1)	(3)	(24)	(19)	-

14. Cash and cash equivalents

Cash and cash equivalents of the Group include the following elements:

	30.09.2010	31.12.2009
	BGN	BGN
Cash at banks in:		
- BGN	1,138	279
- Euro	347	29
Short-term deposits	1,504	3,064
Total	2,989	3,372

The group has no restricted cash or cash equivalents.

At the date of the statement the Group has open deposits in Bulgarian banks:

- Term deposit with balance of 1,500 thousand BGN with 2.5% annual interest rate
- Call deposit with balance of 4 thousand BGN.

15. Assets and groups for disposal, classified as held for sale

Kambanite project

In February 2008 the Fund concluded an agreement with a counterparty for the preparation of a detailed site development plan and change of statute of agricultural land for the Project Kambanite. As of 31 December 2008, the statute of the land remains unchanged, but in the proposed amendment of the Sofia General Urban Development Plan the real estate properties have a statute of zoned properties. As a consequence, in September 2008 the Board of directors took a decision to empower the Fund conclude an intermediation agreement for the sale of Project Kambanite.

The change in the Sofia General Urban Development Plan, which changed the statute of the Kambanite area from agricultural land to land for resident use 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.

	Area	Average price	Carrying	Carrying
	(decares)		amount	amount
			(T BGN)	(T BGN)
			30.09.2010	31.12.2009
Kambanite project	183	96.14 BGN/ sq.m.	17,593	17,593

16. Equity

16.1. 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 Company.

	30.09.2010	31.12.2009
	BGN	BGN
Issued and fully paid shares:		
Beginning of the year	59,716	59,716
Issued and fully paid shares	<u>59,716</u>	<u>59,716</u>
Total shares	<u>59,716</u>	<u>59,716</u>

16.2. Premium reserve

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.

The premium reserve amounts to 13,453 thousand BGN (2006 9,946 thousand BGN, 2005 3,507 thousand BGN).

17. Employee remuneration

17.1. Employee benefits expenses

Employee benefits expenses of the Group include:

	9 months to	9 months to
	30.09.2010	30.09.2009
	BGN	BGN
Wages	(118)	(29)
Management contracts	(127)	(90)
Freelance contracts	(14)	-
Social security expenses	(21)	(7)
Employee benefits expenses	<u>(280)</u>	<u>(126)</u>

17.2. Employee obligations

Employee obligations of the Group recognized in the Interim consolidated statement of financial position consist of the following amounts:

	30.09.2010 BGN	31.12.2009 BGN
Current:		
Employee obligations, including:		
- Current wages on labour contracts	20	7
- Current wages on management contracts	20	12
- Freelance contracts	2	2
- Unused vacations	-	2
Social security obligations	4	4
Current employee obligations	46	27

18. Loans

In 2007 the Parent-Company issued three-year unsecured bonds (ISIN BG2100018071) amounting to EUR 10,000,000 at fixed annual interest of 7% with interest payments twice a year and one-time repayment of principal upon maturity. The maturity of the principal and the last interest payment is on 03 August 2010.

The General Meeting of bondholders, held on 31 August 2010, approved extension of the bond maturity for a further three year term with maturity date 3 August 2013. The coupon was set at 8.5%

The General Meeting of bondholders, held on 31 August 2010, approved signing of a contract (Put Option) for partial re-purchases of bonds, at the option of the bondholders:

- on October 31st 2010, bonds with nominal value up to EUR 1,000,000.
- on December 31st, 2010, bonds with nominal value up to EUR 1,850,000.

During the period the Parent-Company has accrued 1,070 thousand BGN of interest expenses on the bond issue. The outstanding interest due as of 30 September 2010 to bond holders is 264 thousand BGN.

In February 2010 under a bank loan arrangement the Parent-Company has used overdraft in the amount of EUR 340 thousand, which has been paid off. The accrued and paid off interest on the extended overdraft amount to BGN 2 thousand.

19. Trade liabilities and advances received

Trade liabilities are reflected in the Interim consolidated statement of financial position and include:

	30.09.2010	31.12.2009
	BGN	BGN
Current:		
Servicing companies considerations	1,455	1,230
Payables to regional representatives	68	68
Payables to suppliers	515	131
Other liabilities	10	10
Advance payments received	1,020	-
	3,068	1,439

Advance payments are received in connection with the preliminary contracts for purchase and sale of agricultural land, and amount to 1,020 thousand BGN.

20. Tax liabilities

Tax liabilities include:

	30.09.2010	31.12.2009
	BGN	BGN
Personal income tax	2	2
VAT	8	-
	10	2

21. Advance payments under rental contracts

Advance payments can be represented in the following way:

	30.09.2010	31.12.2009
	BGN	BGN
Rental income under contracts	72	92
	72	92

The advances represent advance payment received from tenants for future agricultural years. The recognition from deferred revenues to current is calculated quarterly as ⁹ of the total advance amount.

22. Other liabilities

	30.09.2010	31.12.2009
Guarantee remuneration under management contract	8	12
Other	5	1
	13	13

23. Rental revenue from investment property

Rental revenue from investment property of the Group can be analyzed as follows:

	9 months to 30.09.2010 BGN	9 months to 30.09.2009 BGN
Rental income for 2007/2008	-	8
Rental income for 2008/2009	102	2,897
Rental income for 2009/2010	3,411	-
Total	3,513	2,905

24. Gains from sale of non-current assets

	9 months to 30.09.2010 BGN	9 months to 30.09.2009 BGN
Proceeds from sales	714	8
Carrying amount of sold non-current assets	(381)	(2)
Gains from sale of non-current assets	333	6

25. Cost of materials

Cost of materials include:

	9 months to 30.09.2010 BGN	9 months to 30.09.2009 BGN
Fertilizers	(179)	-
Fuel for cultivation of agricultural land	(10)	(44)
Seeds	(4)	-
Office stationeries	(6)	(12)
Fuel and parts for vehicles	(9)	-
Total	(208)	(56)

26. Hired services expenses

	9 months to 30.09.2010 BGN	9 months to 30.09.2009 BGN
Servicing company consideration	(1,260)	(955)
Agricultural land lease and rental expenses	(414)	-
Advisory services	(70)	(117)
Legal fees	(35)	(70)
Charges for the conclusion of rental agreements	(35)	(57)
Notary fees	(5)	-
Audit remuneration	(38)	(44)
Licenced valuers remuneration	(18)	(26)
Fees (Central Depository, Financial Supervision Commission, Bulgarian Stock Exchange, etc.)	(18)	(16)
Membership fee for the Bulgarian Association of Agricultural Land Owners	(5)	(5)
Hosting server	(16)	-
Insurance costs	(76)	(1)
Cultivation of agricultural land services	(516)	(40)
Rent and maintenance	(47)	(8)
Accounting fees	(16)	-
Postal services expenses	(6)	(1)
Court charges	(10)	(23)
Advertising expenses	-	(8)
Other hired services expenses	(54)	(23)
Total	(2,639)	(1,394)

27. Other expenses

Other expenses of the Group include:

	9 months to 30.09.2010 BGN	9 months to 30.09.2009 BGN
Effects from fair value measurement of production	(952)	-
Unrecognized partial tax credit	(298)	(72)
Business trips	(82)	(22)
Reimbursed impairment of receivables from clients- tenants	81	-
Impairment of court and awarded receivables	(49)	(199)
Impairment of receivables from clients-tenants	-	(344)
Receivables written-off	-	(101)
Representative expenses	(10)	(5)
Agricultural land written-off as per court decisions	(13)	-
Taxes and fees	(2)	-
Others	(30)	(2)
Total	(1,355)	(745)

Agricultural produce of the company is valued at fair value at the time of the harvest, decreased by the average estimated cost of sale as per IAS 41 requirements.

Sofia Stock Exchange rates were used for the valuation of the agricultural produce as of the date of harvest, which compared to the accumulated expenses, resulted in a loss of 952 thousands BGN.

The effects from fair value measurement of production for 2009/2010 include loss from wheat amounting to 929 thousand BGN, and loss of sunflower amounting to 23 thousand BGN.

28. Finance income and finance costs

Finance costs of the Group for the represented periods can be analyzed as follows:

	9 months to 30.09.2010 BGN	9 months to 30.09.2009 BGN
Debenture loan interest	(1,070)	(1,019)
Bank loan interest	(2)	-
Bank fees	(5)	(2)
Exchange rate differences	(1)	-
Finance lease interests	(1)	-
Total finance costs	(1,079)	(1,021)

Finance income of the Group for the represented periods consists of:

	9 months to 30.09.2010 BGN	9 months to 30.09.2009 BGN
Interest income from bank deposits	50	199
Total	50	199

At the date of the statement the Group has open deposits in Bulgarian banks:

- a. Term deposit with balance of 1,500 thousand BGN with 2,5% annual interest rate
- b. Call deposit with balance of 4 thousand BGN

29. Corporate income tax expenses

The Group accrues the payable current taxes in accordance with the Bulgarian legislature.

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

30. 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:

	9 months to 30.09.2010	9 months to 30.09.2009
Profit / (Loss) subject of distribution	(55,000)	(169,000)
Weighted average number of shares	59,715,885	59,715,885
Earnings / (Loss) per share (BGN)	<u>(0.0009)</u>	<u>(0.0028)</u>

Correction of the financial result of ELARG AGRICULTURAL LAND OPPORTUNITY FUND REIT for the period ended 30 September 2010 in accordance with Art. 10, p. 1 from the Special Investment Purpose Companies Act

	Amount
	BGN
Profit for distribution /accounting profit / (loss)	(55)
1.Increased/decreased with the expenses/revenues of following valuations of real estate property	-
2. Increased/decreased with loss / profit from transfer of property arrangements	(322)
3. Increased/decreased in the year of transfer of ownership of the property with the positive / negative difference between:	322
the sale price of the property	703
b) the historic price amount of the real property and the following expenses, leading to the increase in its carrying amount	(370)
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:	-
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	-
Revised profit	<u>(55)</u>

31. Related party transactions

The related parties of the company include key management personnel described below:

If it is not specifically mentioned, the transactions with related parties are not completed in special terms and there are not granted or received any guarantees. Balance amounts are usually paid by bank account.

31.1. 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:

	9 months to 30.09.2010 BGN	9 months to 30.09.2009 BGN
Short term considerations:		
Considerations on management contracts	(91)	(61)
Social security expenses	(8)	(2)
Total considerations	(99)	(63)

31.2. Related party balances as of the end of year

	30.09.2010 BGN	31.12.2009 BGN
Current		
Receivables from:		
- key management personnel	8	2
Total current receivables from related parties	8	2
Total receivables from related parties	8	2
Current		
Payables to:		
- key management personnel	25	22
Total current payables to related parties	25	22
Total payables to related parties	25	22

Liabilities of the Group for the retained guarantees under management contracts are presented in the Interim Consolidated Statement of Financial Position (see Note 22).

32. Risk associated with financial instruments

Strategy of the management in relation to financial risk management

The Group is exposed to different types of risk in relation to its financial instruments. The most significant financial risks are: market risk, credit risk and liquidity risk.

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

32.1. Market risk analysis

32.1.1. Currency risk

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

	<u>Exposure to short-term risk</u> BGN	<u>Exposure to long-term risk</u> BGN
30 September 2010		
Financial assets	-	-
Financial liabilities	(269)	(19,575)
Total risk exposure	<u>(269)</u>	<u>(19,575)</u>

32.1.2. Interest rate risk

The Group policy is aiming for minimization of interest rate risk in long-term financing. As of 30 September 2010 the Group is not exposed to a change in interest rate risk, because the financial assets and liabilities are with fixed interest rates.

32.2. Credit risk

Credit risk arises when the Group counterparties are unable to pay their liabilities when they become due. The Company 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 Company amount of the financial assets, recognized at the end of the reporting period, as it is shown below:

	30.09.2010 BGN	31.12.2009 BGN
Groups financial assets carrying amounts		
Cash and cash equivalent	2,989	3,372
Trade and other receivables	4,108	2,919
Advance payments	219	31
Carrying amount	<u>7,316</u>	<u>6,604</u>

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 above represent the maximum possible credit risk exposure of the Group in relation to these financial instruments.

32.3. Liquidity risk analysis

The Company monitors its cash flows, the maturity of its debt obligations and its liquidity in order to assess its exposure to liquidity risk. The 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.

As of 30 September 2010 the maturities of the contractual obligations of the Group (including interest payments as necessary) are generalized as follows:

30 September 2010	Current		Non-current	
	Up to 6 months	Between 6 and 12 months	From 1 to 5 years	Over 5 years
	BGN	BGN	BGN	BGN
Debenture loans	863	849	22,981	-
Finance lease payables	4	3	20	-
Trade and other payables	2,117	-	-	-
Total	2,984	852	23,001	-

31 December 2009	Current		Non-current	
	Up to 6 months	Between 6 and 12 months	From 1 to 5 years	Over 5 years
	BGN	BGN	BGN	BGN
Debenture loans	682	20,235	-	-
Finance lease payables	6	5	21	-
Trade and other payables	1,465	-	-	-
Total	2,153	20,240	21	-

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.

32.4. Categories financial assets and liabilities

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

Financial assets	Notes	30.09.2010	31.12.2009
		BGN	BGN
Loans and receivables:			
Trade and other receivables	<i>9,10,11,12,13,31.2</i>	4,777	3,205
Cash and cash equivalents	<i>14</i>	2,989	3,372
		7,766	6,577
Financial liabilities	Notes	30.09.2010	31.12.2009
		BGN	BGN
Financial liabilities measured at amortized cost			
Non-current liabilities:			
Finance lease payables	<i>7</i>	17	19
Payables on debenture loans, including interests	<i>18</i>	19,558	-
Current liabilities:			
Payables on debenture loans, including interests	<i>18</i>	264	20,119
Finance lease payables	<i>7</i>	5	9
Trade and other liabilities	<i>17.2,19,20,21,22</i>	3,209	1,573
		23,053	21,720

33. Policy and procedures for capital management

The Group

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

The Debt/Equity ratio is as follows:

	30.09.2010	31.12.2009
	BGN	BGN
Debt	23,053	21,720
Cash and cash equivalents	(2,989)	(3,372)
Net debt	20,064	18,348
Equity	67,762	67,817
Net debt / Equity	0.30	0.27

34. Subsequent Events

In October and November 2010, in accordance with Put Option contract (see note 18) the Parent-Company repaid bonds with nominal value of EUR 2,342 thousand.

35. Authorization of Consolidated financial statements

The Interim consolidated financial statement as of 30 September 2010 (including the comparative information) was approved by the Board of Directors on 25 November 2010.