



Interim Consolidated Financial Statements

ELARG AGRICULTURAL LAND OPPORTUNITY FUND REIT

31 March 2011

Interim Consolidated Financial Statements
31 March 2011

Contents

	Page
Interim Consolidated Statement of Financial Position	2
Interim Consolidated Statement of Comprehensive Income	4
Interim Consolidated Statement of Changes in Equity	5
Interim Consolidated Statement of Cash Flows	6
Notes to Interim Consolidated Financial Statements	7

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at March 31, 2011

	Note	As at March 31, 2011 BGN'000	As at December 31, 2010 BGN'000
ASSETS			
Non-current assets			
Investment property	5	60 935	61 699
Intangible assets	6	13	18
Property, plant and equipment	7	136	130
Other receivables and prepayments	11	-	443
Deferred tax asset	30	51	51
Total non-current assets		61 135	62 341
Current assets			
Inventory	9	1 241	833
Trade receivables	10	3 302	2 334
Other receivables and prepayments	11	315	249
Receivables from agricultural subsidy	12	102	342
Cash and cash equivalents	13	276	48
Total current assets		5 236	3 806
Assets and disposal groups, classified as held for sale	14	15 001	15 001
Total assets		81 372	81 148

Prepared by: _____
/Anna Menelaeva/

Date: 30.05.2011

Executive director: _____
/Elarg Agricultural Land Opportunity Fund REIT/

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at March 31, 2011

	Note	As at March 31, 2011 BGN'000	As at December 31, 2010 BGN'000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	15.1	59 716	59 716
Share premium	15.2	13 453	13 453
Accumulated loss		(8 633)	(9 162)
Total equity		64 536	64 007
Liabilities			
Non-current			
Debenture loan	17	13 965	13 965
Obligations under finance lease	8	14	15
Total non-current liabilities		13 979	13 980
Current			
Trade payables	18	2 221	2 384
Interest on debenture loan	17	169	455
Obligations under finance lease	8	5	5
Other payables	19	462	317
Total current liabilities		2 857	3 161
Total liabilities		16 836	17 141
Total equity and liabilities		81 372	81 148

Prepared by: _____
/Anna Menelaeva/

Date: 30.05.2011

Executive director: _____
/Elarg Agricultural Land Opportunity Fund REIT/

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period ended March 31, 2011

	Note	Three months ended March 31, 2011 BGN'000	Three months ended March 31, 2010 BGN'000
Revenue from investment property rentals	20	1 252	1 184
Revenue from production sales	21	-	-
Cost of sales of production	21	-	-
Profit/(Loss) from production sales	21	-	-
Revenue from sale of non-current asset	22	1 487	-
Cost of sale of non-current assets	22	(787)	-
Profit from sale of non-current assets	22	700	-
Gross Operating Profit		1 952	1 184
Other income	24	19	15
Servicing company consideration	25	(446)	(318)
Administrative expenses	26	(688)	(307)
Impairment of assets	27	-	-
Depreciation and amortization of non-financial assets	6,7	(13)	(13)
Other expenses	28	-	-
Operating profit		824	561
Finance costs	29	(297)	(341)
Finance income	29	2	23
Profit before taxation		529	243
Income tax expense	30	-	-
Profit for the period		529	243
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		529	243
Earning per share:		BGN	BGN
Basic earnings per share:			
Earnings	31	0.009	0.004

Prepared by: _____
/Anna Menelaeva/

Executive director: _____
/Elarg Agricultural Land Opportunity Fund REIT/

Date: 30.05.2011

The accompanying notes from page 7 to page 57 are an integral part of these interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
As at March 31, 2011

	<u>Share capital</u> <u>BGN'000</u>	<u>Share premium</u> <u>BGN'000</u>	<u>Accumulated losses</u> <u>BGN'000</u>	<u>Total equity</u> <u>BGN'000</u>
Balance at January 1, 2010	59 716	13 453	(5 352)	67 817
Loss for the year	-	-	(3 810)	(3 810)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year, net of tax	-	-	(3 810)	(3 810)
Balance at December 31, 2010	59 716	13 453	(9 162)	64 007
Profit for the period	-	-	529	529
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the period, net of tax	-	-	529	529
Balance at March 31, 2011	59 716	13 453	(8 633)	64 536

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/Anna Menelaeva/

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/Elarg Agricultural Land Opportunity Fund REIT/

Date: 30.05.2011

INTERIM CONSOLIDATED CASH FLOW STATEMENT
For the period ended March 31, 2011

	Note	Three months ended March 31, 2011 BGN'000	Three months ended March 31, 2010 BGN'000
Cash flows from operating activities			
Cash flows from customers for investment property rentals and sales of agricultural production		384	601
Cash paid to suppliers		(1 797)	(1 109)
Cash paid to personnel and social security		(86)	(70)
Tax paid		(4)	(55)
Interest received		-	54
Proceeds from agricultural subsidy		240	-
Other proceeds/(payments) for operating activities		(54)	(1)
Net cash used in operating activities		(1 317)	(580)
Cash flows from investing activities			
Purchases of investment property	5	-	-
Proceeds from investment property sales	5	2 113	-
Purchases of property, plant and equipment	7	(10)	(4)
Net cash provided by/(used in) investing activities		2 103	(4)
Cash flows from financing activities			
Proceeds from loans		-	665
Repayment of loans		-	(665)
Obligations under finance lease		-	(1)
Interest paid		(558)	(642)
Net cash used in financing activities		(558)	(643)
Net decrease in cash and cash equivalents		228	(1 227)
Cash and cash equivalents at the beginning of the year		48	3 372
Cash and cash equivalents at the end of the year	13	276	2 145

Prepared by: _____
/Anna Menelaeva/

Date: 30.05.2011

Executive director: _____
/Elarg Agricultural Land Opportunity Fund REIT/

The accompanying notes from page 7 to page 57 are an integral part of these interim consolidated financial statements.

NOTES TO THE INTERIM CONCOLIDATED FINANCIAL STATEMENTS

For the period ended March 31, 2011

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 31.03.2011 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 March 31, 2011 the Parent-Company is represented by the Executive Director Andrey Valerievich Kruglykhin.

As of March 31, 2011 the Parent-Company has issued 59,715,885 shares with a value of 1 BGN each.

NOTES TO THE INTERIM CONCOLIDATED FINANCIAL STATEMENTS

For the period ended March 31, 2011

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 INTERIM CONCOLIDATED FINANCIAL STATEMENTS

For the period ended March 31, 2011

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 Interim Consolidated statement of comprehensive income and the Consolidated cash flow statement include data for the Parent company and its subsidiaries Elarg Agro EOOD and Elarg Wind EOOD for the period 01.01.2010 - 31.03.2010.

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 INTERIM CONCOLIDATED FINANCIAL STATEMENTS

For the period ended March 31, 2011

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 Vidin 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 Interim 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 Interim 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 (BGN'000) (including the comparative information for 2010) 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 profits and accumulated losses (profit for the period ended March 31, 2011 amounting to BGN 529 thousands and accumulated losses amounting to BGN 8 633 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 Interim Consolidated financial statements for the period ended March 31, 2011 are approved by the Board of Directors on May 30, 2011.

NOTES TO THE INTERIM CONCOLIDATED FINANCIAL STATEMENTS

For the period ended March 31, 2011

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 INTERIM CONCOLIDATED FINANCIAL STATEMENTS

For the period ended March 31, 2011

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 INTERIM CONCOLIDATED FINANCIAL STATEMENTS

For the period ended March 31, 2011

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:

IFRS 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 INTERIM CONCOLIDATED FINANCIAL STATEMENTS
For the period ended March 31, 2011

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 INTERIM CONCOLIDATED FINANCIAL STATEMENTS
For the period ended March 31, 2011

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 INTERIM CONCOLIDATED FINANCIAL STATEMENTS
For the period ended March 31, 2011

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

4.2. Presentation of the Interim 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 Interim 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.

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 March 2011. 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 March 2011.

NOTES TO THE INTERIM CONCOLIDATED FINANCIAL STATEMENTS

For the period ended March 31, 2011

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 period, 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 INTERIM CONCOLIDATED FINANCIAL STATEMENTS

For the period ended March 31, 2011

4. Accounting policy (continued)**4.6. Administrative expenses and servicing company consideration**

The administrative expenses and servicing company consideration 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 INTERIM CONCOLIDATED FINANCIAL STATEMENTS

For the period ended March 31, 2011

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 Interim Consolidated statement of comprehensive income.

Depreciation costs are included in the Interim 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 INTERIM CONCOLIDATED FINANCIAL STATEMENTS

For the period ended March 31, 2011

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 Interim Consolidated statement of comprehensive income within "Revenue from investment property rentals" and "Administrative expenses" and "Servicing company consideration", respectively and are recognized as it is described in Note 4.5 and Note 4.6.

NOTES TO THE INTERIM CONCOLIDATED FINANCIAL STATEMENTS
For the period ended March 31, 2011

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 Interim 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 Interim Consolidated statement of comprehensive income are a subject of an impairment test as of the date of the Interim 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 Interim 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 INTERIM CONCOLIDATED FINANCIAL STATEMENTS

For the period ended March 31, 2011

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 Interim 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 statement of comprehensive income as "Impairment of assets".

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 INTERIM CONCOLIDATED FINANCIAL STATEMENTS

For the period ended March 31, 2011

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 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 INTERIM CONCOLIDATED FINANCIAL STATEMENTS
For the period ended March 31, 2011

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 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.

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 Interim 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 INTERIM CONCOLIDATED FINANCIAL STATEMENTS
For the period ended March 31, 2011

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 Interim 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 INTERIM CONCOLIDATED FINANCIAL STATEMENTS
For the period ended March 31, 2011

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 Interim 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 June 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.

As of March, 31 2011 and 2010 the Group has not recognised impairment losses in order to decrease the net carrying value of the assets to their recoverable value.

NOTES TO THE INTERIM CONCOLIDATED FINANCIAL STATEMENTS

For the period ended March 31, 2011

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 March 31, 2011 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 Interim 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.

NOTES TO THE INTERIM CONCOLIDATED FINANCIAL STATEMENTS

For the period ended March 31, 2011

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:

	BGN'000
Net carrying amount at December 31, 2009	64 249
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	61 699
Net carrying amount at December 31, 2010	61 699
Acquisitions in 2011, incl.:	18
- <i>purchases</i>	18
- <i>exchanges</i>	-
- <i>other</i>	-
Impairment of investment property	-
Disposals in 2011	(782)
Balance at March 31, 2011	60 935
Net carrying amount at March 31, 2011	60 935

As at March 31, 2011 the investment property of the Group amounts to BGN 60 935 thousand (2010: BGN 61 699 thousand), as follows:

	Area	Acquisition Cost	Carrying amount
	Decares	BGN'000	BGN'000
As at January 1, 2010	293 034	64 249	64 249
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)
As at December 31, 2010	284 817	63 051	61 699
Acquisitions in 2011	54	18	18
Disposals in 2011	(3 472)	(782)	(782)
Impairment of investment property in 2011	-	-	-
As at March 31, 2011	281 399	62 287	60 935

NOTES TO THE INTERIM CONCOLIDATED FINANCIAL STATEMENTS
For the period ended March 31, 2011

5. Investment property (continued)

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

In 2010 Investment property amounting to BGN 15 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. 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, which is reported in the Interim Consolidated statement of comprehensive income as "Impairment of assets". No valuation of the investemnt property as of March 31, 2011 was performed as the Group deemed the valuation as of Decemeber 31, 2010 to be relevant as of March 31, 2011. The Group has addopted a more prudent and conservative approach for subsequent valuation of its investment property after the innitial recognition and presents the investment property in the Interim Consolidated financial statements of the Group at its acquisition cost or its market value whichever is the lowest.

The rental revenues for the period ended March 31, 2011 amounting to BGN 1 252 thousand (31.03.2010: BGN 1 184 thousand) are presented in the Interim Consolidated statement of comprehensive income as "Revenue from investment property rentals". Conditional rents are not recognised.

NOTES TO THE INTERIM CONCOLIDATED FINANCIAL STATEMENTS
For the period ended March 31, 2011

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>
Cost			
Balance at January 01, 2010	69	19	88
Acquisitions	-	4	4
Written-off purchasing costs of intangible assets	-	(23)	(23)
Balance at December 31, 2010	69	-	69
Acquisitions	2	-	2
Written-off purchasing costs of intangible assets	-	-	-
Balance at March 31, 2011	71	-	71
Accumulated depreciation			
Balance at January 1, 2010	(22)	-	(22)
Depreciation charge	(29)	-	(29)
Balance at December 31, 2010	(51)	-	(51)
Depreciation charge	(7)	-	(7)
Balance at March 31, 2011	(58)	-	(58)
Net book value at December 31, 2010	18	-	18
Net book value at March 31, 2011	13	-	13

At March 31, 2011, Intangible assets are tested for impairment and it was determined that no such indications exists

The amortization and depreciation costs of intangible assets are reported in the Interim 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.

NOTES TO THE INTERIM CONCOLIDATED FINANCIAL STATEMENTS

For the period ended March 31, 2011

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
Cost						
Balance at January 1, 2010	-	32	14	17	70	133
Acquisitions	21	3	1	23	26	74
Disposals	-	-	-	-	-	-
Balance at December 31, 2010	21	35	15	40	96	207
Acquisitions	-	-	-	2	10	12
Disposals	-	-	-	-	-	-
Balance at March 31, 2011	21	35	15	42	106	219
Accumulated depreciation						
Balance at January 1, 2010	-	(25)	(4)	-	(22)	(51)
Disposals	-	-	-	-	-	-
Depreciation charge	-	(4)	(1)	-	(21)	(26)
Balance at December 31, 2010	-	(29)	(5)	-	(43)	(77)
Depreciation charge	-	(2)	-	-	(4)	(6)
Balance at March 31, 2011	-	(31)	(5)	-	(47)	(83)
Net book value at December 31, 2010	21	6	10	40	53	130
Net book value at March 31, 2011	21	4	10	42	59	136

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.

As at March 31, 2011, Property, plant and equipment are tested for impairment and it was determined that no such indications exist.

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".

NOTES TO THE INTERIM CONCOLIDATED FINANCIAL STATEMENTS
For the period ended March 31, 2011

7. Property, plant and equipment (continued)

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 March 31, 2011 amounts to BGN 29 thousand (2010: BGN 32 thousand). The assets are reported as "Vehicles" (see Note 7).

Future minimum lease payments under finance leases are as follows:

	Minimum lease payments		
	Within 1 year	1 to 5 years	Total
	BGN'000	BGN'000	BGN'000
December 31, 2010			
Lease payments	6	18	24
Finance charges	(1)	(3)	(4)
Present value of payments	5	15	20
March 31, 2011			
Lease payments	6	17	23
Finance charges	(1)	(3)	(4)
Present value of payments	5	14	19

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:

	Minimum lease payments			Total
	Within 1 year	1 to 5 years	Over 5 years	
	BGN'000	BGN'000	BGN'000	BGN'000
At March 31, 2011	724	603	121	1 448
At December 31, 2010	723	774	131	1 628

The operating lease payments for the period ended March 31, 2011 amounting to BGN 121 thousands are capitalised in work in progress (see Note 9) and BGN 8 thousand are the operating lease payments recognised as an expense. 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. 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 INTERIM CONCOLIDATED FINANCIAL STATEMENTS
For the period ended March 31, 2011

8. Leases (continued)

Operating lease as a lessor

The future minimum payments under operating leases are as follows:

	Minimum lease payments			Total BGN'000
	Within 1 year BGN'000	1 to 5 years BGN'000	Over 5 years BGN'000	
At March 31, 2011	3 951	1 748	10	5 709
At December 31, 2010	4 856	2 017	11	6 884

The operating lease payments for the period ended March 31, 2011 are recognised as an income in the Interim Consolidated statement of comprehensive income and amount to BGN 1 252 thousand (31.03.2010: BGN 1 184 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 Interim Consolidated statement of financial position can be analyzed as follows:

	March 31, 2011 BGN'000	December 31, 2010 BGN'000
Raw materials	84	26
Work in progress	1 157	807
Total inventory	1 241	833

The value of materials recognised as an expense in the Interim Consolidated statement of comprehensive income for the period ended March 31, 2011 is BGN 0 thousand (2010: BGN 687 thousand).

A committee of internal experts of the Group has made an assessment of the available inventories, as of March 31, 2011 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 March 2011 and 31 December 2010 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:

	March 31, 2011 BGN'000	December 31, 2010 BGN'000
Sowing seeds	14	36
Fertilizers	70	42
Total raw materials	84	78

NOTES TO THE INTERIM CONCOLIDATED FINANCIAL STATEMENTS

For the period ended March 31, 2011

9. Inventory (continued)

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

In accordance with the provisions of IAS 41 Agriculture, in 2010 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 for 2010 can be analysed as follows:

	Wheat		Sunflower		Total	
	Ton	BGN '000	Ton	BGN '000	Ton	BGN '000
As at December 31, 2009	-	-	-	-	-	-
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)
As at December 31, 2010	-	-	-	-	-	-

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, 2010	Accumulated expenses in 2011	Cost of agricultural production 2011	Other non-recurring farming costs	March 31, 2011
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Cost of materials	293	176	-	-	469
Expenses for land cultivation	490	165	-	-	655
Employee benefits expenses	24	9	-	-	33
Total work in progress	807	350	-	-	1 157
Net change in agricultural work in progress					350

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 INTERIM CONCOLIDATED FINANCIAL STATEMENTS
For the period ended March 31, 2011

10. Trade receivables

	March 31, 2011	December 31, 2010
	BGN'000	BGN'000
Receivables under rental agreements, gross incl.:	4 065	3 104
Receivables under rental agreements for 2010/2011	2 466	1 215
Receivables under rental agreements for 2009/2010	810	1 083
Receivables under rental agreements for 2008/2009	565	581
Receivables under rental agreements for 2007/2008	224	225
Other trade receivables	26	36
Impairment of receivables for 2008/2009	(565)	(581)
Impairment of receivables for 2007/2008	(224)	(225)
Total trade receivables	3 302	2 334

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".

As of March 31, 2011 the Group made an assessment of the receivables under rental agreements for 2008/09 and 2007/08. In 2011 impairment of receivables amounting to BGN 16 thousand for 2008/09 and to BGN 1 thousand for 2007/08 was recovered and respectively BGN 17 thousand are recognized in the Interim Consolidated statement of comprehensive income as "Other Income"

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 March 31, 2011 refer to the agricultural 2009/10 and 2010/11. 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:

	2011	2010
	BGN'000	BGN'000
At January 1	806	324
Recognised for rental agreements for 2008/2009	-	581
Recognised for rental agreements for 2007/2008	-	2
Recovered	(17)	(101)
At March 31/December 31	789	806

NOTES TO THE INTERIM CONCOLIDATED FINANCIAL STATEMENTS
For the period ended March 31, 2011

10. Trade receivables (continued)

The most significant balances of trade receivables as of March 31, 2011 are as follows:

	March 31, 2011	December 31, 2010
	BGN'000	BGN'000
Agrohold Bulgaria EOOD	182	182
Mega Group EOOD	164	164
ZP Nenko Ivanov Nenkov	112	112
ZP Tsvetelina Dimitrova Ivanova	68	68
ZP Dimitar Ivanov Dimitrov	60	60
Agro Tera Sever AD	-	53
GBM AD	50	50
Standart Agro AM EOOD	44	44
Silvia 7 OOD	17	42
ZP Anton Stoichev Mihailov	39	39
Markland EOOD	36	36
Ivalin Jotov ET	36	36
Ekaterina Jordanova MAT GER ET	20	30
ZP Hristo Hristov Nikolov	23	28
Satelit 4 OOD	24	24
Kemapul EOOD	-	20
Georgi Kolev Kolev	17	17
Orient 2000 EOOD	10	15
PA 97 OOD	15	15
Agroles Dimov EOOD	10	10

NOTES TO THE INTERIM CONCOLIDATED FINANCIAL STATEMENTS
For the period ended March 31, 2011

11. Other receivables and prepayments

Other receivables of the Group consist of:

	March 31, 2011	December 31, 2010
	BGN'000	BGN'000
Other non-current receivables and prepayments		
Prepayments related to purchase of investment property	-	443
Total other non-current receivables and prepayments	-	443
Other current receivables and prepayments		
Awarded receivables	544	544
Impairment of awarded receivables	(544)	(544)
Net book value of awarded receivables	-	-
Prepayments related to contracts for:		
Purchase of investment property	-	-
Rent of investment property	18	27
Other rents and leases	-	-
Other	33	35
Impairment of prepayments	(25)	(25)
Net book value of prepayments	26	37
Tax credits (VAT recoverable)	61	114
Receivables from legal proceedings	49	49
Impairment of receivables from legal proceedings	(49)	(49)
Net book value of receivables from legal proceedings	-	-
Legal fees and guarantee for future legal proceedings	79	71
Prepaid expenses	130	-
Receivables from key management personnel (See Note 32.2)	17	17
Interest receivable	-	-
Other	2	10
Total other current receivables and prepayments	315	249
Total other receivables and prepayments	315	692

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 INTERIM CONCOLIDATED FINANCIAL STATEMENTS

For the period ended March 31, 2011

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>2011</u> <u>BGN'000</u>	<u>2010</u> <u>BGN'000</u>
At January 1	618	199
Recognised	-	419
At March 31/December 31	<u>618</u>	<u>618</u>

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, 2010	(1)	(3)	(24)	(19)	-
Accrued in 2010	-	(1)	(4)	(11)	-
Recognised in 2010	-	-	6	30	-
Carrying amount at December 31, 2010	(1)	(4)	(22)	-	-
Accrued in 2011	-	-	-	-	-
Recognised in 2011	-	-	9	-	-
Carrying amount at March 31, 2011	<u>(1)</u>	<u>(4)</u>	<u>(13)</u>	<u>-</u>	<u>-</u>

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 and in May 2011 the Group received additional BGN 147 thousand for the 2010 subsidy.

NOTES TO THE INTERIM CONCOLIDATED FINANCIAL STATEMENTS
For the period ended March 31, 2011

13. Cash and cash equivalents

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

	March 31, 2011	December 31, 2010
	BGN'000	BGN'000
Cash at banks and cash in hand, incl.		
- in BGN	274	38
- in EUR	2	10
Short-term deposits	-	-
Total cash and cash equivalents	276	48

As of March 31, 2011 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 March 31, 2011 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 BGN'000 per decare</u>	<u>Net book value 31.03.2011 BGN'000</u>	<u>Net book value 31.12.2010 BGN'000</u>
Kambanite project	183	81.97	15 001

NOTES TO THE INTERIM CONCOLIDATED FINANCIAL STATEMENTS
For the period ended March 31, 2011

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. No valuation of Kambanite project as of March 31, 2011 was performed as the Group deemed the valuation as of Decemeber 31, 2010 to be relevant as of March 31, 2011.

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

	March 31, 2011	December 31, 2010
	BGN'000	BGN'000
Acquisition cost	20 363	20 363
Impairment to net recoverable amount	(5 362)	(5 362)
Net recoverable amount	15 001	15 001

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 March 31, 2011 and 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.

	March 31, 2011	December 31, 2010
	BGN'000	BGN'000
Issued and fully paid shares:		
At the beginning of the year	59 716	59 716
Issued and fully paid shares	59 716	59 716
Total share capital	59 716	59 716

NOTES TO THE INTERIM CONCOLIDATED FINANCIAL STATEMENTS
For the period ended March 31, 2011

15. Equity (continued)

15.1. Share Capital (continued)

The list of the major shareholders is as follows:

	March 31, 2011		December 31, 2010	
	Shares		Shares	
	Number of shares	%	Number of shares	%
QVT Fund LP	29 560 880	49.50	29 560 880	49.50
Allianz Group Bulgaria	10 032 373	16.80	10 017 373	16.78
Kairos Investments	4 473 591	7.49	4 858 834	8.14
Doverie Group	2 991 766	5.01	2 991 766	5.01
Minority owners	12 657 275	21.20	12 287 032	20.57
	59 715 885	100	59 715 885	100

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:

	Three months ended March 31, 2011	Three months ended March 31, 2010
	BGN'000	BGN'000
Wages and salaries	(26)	(26)
Management contracts	(83)	(40)
Freelance contracts- Audit Committee	(9)	(2)
Social security	(7)	(7)
Unused paid leave	-	-
Total employee benefits expenses	(125)	(75)

As of March 31, 2011, part of the employee benefits expenses, amounting to BGN 9 thousand (March 31, 2010: BGN 11 thousand) is reported as work in progress (see Note 9).

NOTES TO THE INTERIM CONCOLIDATED FINANCIAL STATEMENTS
For the period ended March 31, 2011

16. Personnel (continued)

16.2. Amounts payable to employees

Amounts payable to employees of the Group as at March 31, 2011 comprise of the following items:

	March 31, 2011	December 31, 2010
	BGN'000	BGN'000
Current:		
Amounts payable to employees, incl.:		
- Current wages and salaries of employees hired on labour contracts	6	9
- Current wages and salaries of employees on management contracts	26	36
- Freelance contracts	3	1
- Unused paid leave	7	7
Amounts payable to social security	4	4
Total amounts payable to employees	46	57

The current amounts payable to employees represent liabilities to current employees of the Group, which are about to be settled in April 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 three months period ended on March 31, 2011 the Parent company accrued interest expenses amounting to BGN 292 thousand (31.03.2010: 337 thousand). As at March 31, 2011 the interest payable to the bondholders amounts to BGN 169 thousand (2010: BGN 455 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 INTERIM CONCOLIDATED FINANCIAL STATEMENTS
For the period ended March 31, 2011

18. Trade payables

Trade payable of the Group consists of the following items:

	March 31, 2011	December 31, 2010
	BGN'000	BGN'000
Current:		
Servicing company considerations	1 140	1 339
Amounts payables to suppliers	495	503
Prepayments for sales of investment property	586	450
Amounts payable to customers	-	86
Other	-	6
Total trade payables	2 221	2 384

Prepayments for sales of investment property represent advances received for contracted sale of investments property.

19. Other payables

Other payables of the Group are analyzed as follows:

	March 31, 2011	December 31, 2010
	BGN'000	BGN'000
Prepayments for rentals	212	117
Tax liabilities, incl.:		
Withholding tax	73	52
Personal income tax	4	4
VAT payable	76	61
Total tax liabilities	153	117
Amounts payable to employees (See Note 16.2)	46	57
Guarantee remuneration under management contract	48	16
Other	3	10
Total other payables	462	317

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:

	Three months ended March 31, 2011	Three months ended March 31, 2010
	BGN'000	BGN'000
Rental income for 2008/09	-	13
Rental income for 2009/10	1	1 171
Rental income for 2010/11	1 251	-
Total revenue from investment property rentals	1 252	1 184

NOTES TO THE INTERIM CONCOLIDATED FINANCIAL STATEMENTS
For the period ended March 31, 2011

21. Profit/(Loss) from production sales

The Group sold all of its agricultural production from 2010 in the 4th quarter of 2010 and recorded the respective results. For the three months period ended March 31, 2011 and 2010, the Group did not have any production for sale and has not recorded any profit or loss from production sales.

22. Profit from sale of non-current assets

	Three months ended March 31, 2011	Three months ended March 31, 2010
	BGN'000	BGN'000
Revenue from investment property sales	1 487	-
Cost of investment property sold	(782)	-
Statutory fees and taxes and other expenses related to sales of investment property	(5)	-
Profit from sale of non-current assets	700	-

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.

NOTES TO THE INTERIM CONCOLIDATED FINANCIAL STATEMENTS
For the period ended March 31, 2011

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.

March 31, 2011	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>
Revenue					
External customers	1 252	1 487	-	-	2 739
Subsidy revenue	-	-	-	-	-
Total revenue	1 252	1 487	-	-	2 739
Results					
Cost of non-current assets sold	-	(787)	-	-	(787)
Cost of agricultural produce sold	-	-	-	-	-
Servicing company consideration	(289)	(106)	-	(51)	(446)
Administrative and other expenses	-	-	(30)	-	(30)
Impairment of assets	-	-	-	-	-
Depreciation expense	(7)	-	(6)	-	(13)
Segment results	956	594	(36)	(51)	1 463
Other income	17	-	-	2	19
Indirect administrative expenses	-	-	-	(658)	(658)
Other expenses	-	-	-	-	-
Finance costs	-	-	-	(297)	(297)
Finance income	-	-	-	2	2
Profit before tax	973	594	(36)	(1 002)	529

NOTES TO THE INTERIM CONCOLIDATED FINANCIAL STATEMENTS
For the period ended March 31, 2011

23. Operating segment information (continued)

March 31, 2011	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	47 595 ¹	2 741 ¹	283 ¹	10 316 ¹	60 935
Non-current assets, excluding investment property	58	-	142	-	200
Inventory	-	-	1 241	-	1 241
Trade and other receivables	3 487	-	130	-	3 617
Receivables from agricultural subsidy	-	-	102	-	102
Cash and cash equivalents	163	-	113	-	276
Assets and disposal groups, classified as held for sale	-	-	-	15 001	15 001
Operating assets	51 303	2 741	2 011	25 317	81 372
Operating liabilities	1 838	586	278	14 134²	16 836

- Investment property is split by segments based on the area of investments property related to the respective segment. Investment property rented as of March 31, 2011 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 March 31, 2011 is reported as Group items.
- Segment liabilities do not include debenture loans amounting to BGN 13 965 thousand and related interest amounting to BGN 169 thousand, as these liabilities are managed on a group basis.

In 2009 and 1st quarter of 2010, 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 significant part of all transaction and balances for 2009 and 1st quarter of 2010 relates to Rental Revenue Segment.

NOTES TO THE INTERIM CONCOLIDATED FINANCIAL STATEMENTS
For the period ended March 31, 2011

24. Other income

	Three months ended March 31, 2011 BGN'000	Three months ended March 31, 2010 BGN'000
Income from agricultural subsidy (see Note 12)	-	-
Recovered provisions of trade receivables (see Note 10)	17	13
Insurance indemnification	-	-
Fines, penalty fees and interest for late payments	-	-
Other	2	2
Total other income	19	15

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.

For the three months period ended March 31, 2011 the servicing company consideration amounts to BGN 446 thousand (31.03.2010: BGN 318 thousand).

NOTES TO THE INTERIM CONCOLIDATED FINANCIAL STATEMENTS
For the period ended March 31, 2011

26. Administrative expenses

Administrative expenses can be analyzed as follows:

	Three months ended March 31, 2011			Three months ended March 31, 2010		
	Investment property	Farming	Total	Investment property	Farming	Total
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Office stationary	(1)	-	(1)	-	-	-
Public utilities	-	(1)	(1)	-	(1)	(1)
Advertising materials	-	-	-	-	-	-
Fuel and maintenance parts for vehicles	-	(2)	(2)	-	(2)	(2)
Legal fees	(198)	-	(198)	(4)	-	(4)
Consultancy and accounting services	(47)	-	(47)	(30)	(7)	(37)
Insurance of receivables	(38)	-	(38)	-	-	-
Expenses and fees for conclusion of rental agreements	(8)	-	(8)	(19)	-	(19)
Fees (Central Depository, Financial Supervision Commission, Bulgarian Stock Exchange, etc.)	(5)	-	(5)	(4)	-	(4)
Internal audit remuneration	-	-	-	-	-	-
Rent and maintenance	-	(8)	(8)	(3)	(8)	(11)
Internet and communications	(3)	-	(3)	(4)	-	(4)
Licenced appraisers remuneration	(19)	-	(19)	(18)	-	(18)
Notary fees	(1)	-	(1)	(2)	-	(2)
Audit services	-	-	-	-	-	-
Marketing and PR expenses	(3)	-	(3)	(3)	-	(3)
Postal and courier services	(1)	(2)	(3)	(1)	(1)	(2)
Court charges	(48)	-	(48)	(1)	-	(1)
Membership fee for the Bulgarian Association of Agricultural Land Owners	(1)	-	(1)	(5)	-	(5)
Transportation expenses	-	-	-	-	-	-
Employee benefit expenses	(103)	(13)	(116)	(46)	(18)	(64)
Unrecognised tax credit (partial VAT recoverable)	(157)	-	(157)	(78)	-	(78)
Receivables written-off	-	-	-	-	-	-
Travel and transportation	(14)	-	(14)	(27)	(1)	(28)
Net book value of agricultural land written-off as per court orders	-	-	-	-	-	-
Representative expenses	-	-	-	-	(1)	(1)
Intangible assets in process of acquisition, written off	-	-	-	-	-	-
Other	(11)	(4)	(15)	(3)	(20)	(23)
Total administrative expenses	(658)	(30)	(688)	(248)	(59)	(307)

NOTES TO THE INTERIM CONCOLIDATED FINANCIAL STATEMENTS
For the period ended March 31, 2011

27. Impairment of assets

	Three months ended March 31, 2011	Three months ended March 31, 2010
	BGN'000	BGN'000
Impairment of assets held for sale (see Note 14)	-	-
Impairment of investment property (see Note 6)	-	-
Impairment of receivables for rentals (see Note 10)	-	-
Impairment of awarded receivables and prepayments (see Note 11)	-	-
Total impairment of assets	-	-

For the three months period ended March 31, 2011 and 2010 the Group has not recorded impairment of its assets.

28. Other expenses

Other expenses of the Group consist of the following items:

	Three months ended March 31, 2011	Three months ended March 31, 2010
	BGN'000	BGN'000
Non-recurrent agricultural costs	-	-
Shortages and waste of agricultural production	-	-
Consultancy fee	-	-
Total other expenses	-	-

For the three months period ended March 31, 2011 and 2010 the Group has not recorded other expenses.

29. Finance costs and income

Finance costs of the Group are analyzed as follows:

	Three months ended March 31, 2011	Three months ended March 31, 2010
	BGN'000	BGN'000
Interest expense on debenture loan	(292)	(337)
Interest expense on bank loan	-	(2)
Bank fees	(1)	(2)
Foreign exchange losses	(4)	-
Interest expense on finance lease	-	-
Total finance costs	(297)	(341)

NOTES TO THE INTERIM CONCOLIDATED FINANCIAL STATEMENTS
For the period ended March 31, 2011

29. Finance costs and income (continued)

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

	Three months ended March 31, 2011	Three months ended March 31, 2010
	BGN'000	BGN'000
Interest earned on bank deposits	-	23
Interest income on bank accounts	-	-
Foreign exchange gains	2	-
Total finance income	2	23

30. Income tax

	Three months ended March 31, 2011	Three months ended March 31, 2010
	BGN'000	BGN'000
Consolidated Statement of Comprehensive Income		
Current tax expense	-	-
Deferred tax income	-	-
Net Tax Income	-	-

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:

	Three months ended March 31, 2011	Three months ended March 31, 2010
	BGN'000	BGN'000
Profit before taxation	529	243
Tax rate	10%	10%
Expected income tax expense	(53)	(24)
Tax effect on profits from activities according to the Special Investment Purpose Companies Act	57	31
Tax effect on unrecognised tax losses	(4)	(7)
Net Income Tax Credit/(Expense)	-	-

NOTES TO THE INTERIM CONCOLIDATED FINANCIAL STATEMENTS
For the period ended March 31, 2011

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	
	March 31, 2011	December 31, 2010	Three months ended March 31, 2011	Year ended December 31, 2010
	BGN'000	BGN'000	BGN'000	BGN'000
<i>Deferred income tax asset</i>				
Tax losses carried forward	51	51	-	51
	51	51		
Deferred Income Tax Credit			-	51
Deferred Tax Assets	51	51		

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 for 2010 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:

	Three months ended March 31, 2011	Three months ended March 31, 2010
Profit subject of distribution (BGN'000)	529	243
Weighted average number of shares	59 715 885	59 715 885
Basic earnings per share (BGN per share)	0.009	0.004

NOTES TO THE INTERIM CONCOLIDATED FINANCIAL STATEMENTS

For the period ended March 31, 2011

31. Earnings/(loss) per share

Adjustments to the financial result of the Group for the period ended March 31, 2011 and 2010 in accordance with the provisions of Art. 10, p.1 of the Special Investment Purpose Companies Act:

	Three months ended March 31, 2011	Three months ended March 31, 2010
	BGN'000	BGN'000
Profit for distribution /accounting profit/(loss)	529	243
1. Increased/decreased with the expenses/revenues of subsequent valuations of the property	-	-
2. Increased/decreased with loss / profit from transfer of property arrangements	(705)	-
3. Increased/decreased in the year of transfer of ownership of the property with the positive / negative difference between:	705	-
a) the sale price of the property	1 487	-
b) the historic price amount of the property and the following expenses, leading to the increase in its carrying amount	(782)	-
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	-	-
Adjusted profit	529	243

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 transfres.

NOTES TO THE INTERIM CONCOLIDATED FINANCIAL STATEMENTS
For the period ended March 31, 2011

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:

	Three months ended March 31, 2011	Three months ended March 31, 2010
	BGN'000	BGN'000
Short-term considerations:		
Considerations on management contracts	(83)	(40)
Social security expenses	(2)	(2)
Total considerations	(85)	(42)
Guarantee remuneration under management contract	48	7

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

	March 31, 2011	December 31, 2010
	BGN'000	BGN'000
Current		
Receivables from:		
-key management personnel	17	17
Total current receivables from related parties	17	17
Total receivables from related parties	17	17
Current		
Payables to:		
-key management personnel	67	54
Total current payables to related parties	67	54
Total payables to related parties	67	54

The liabilities of the Group for the retained guarantees under management contracts are presented in the Interim 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 – in 2010 agricultural land as a result of exchange arrangements amounting to BGN 244 thousand (2009 r: BGN 14 thousand);

NOTES TO THE INTERIM CONCOLIDATED FINANCIAL STATEMENTS
For the period ended March 31, 2011

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:

	Exposure to short-term risk	Exposure to long-term risk
	BGN'000	BGN'000
March 31, 2011		
Financial assets	2	-
Financial liabilities	(252)	(13 979)
Total risk exposure	(250)	(13 979)
December 31, 2010		
Financial assets	10	-
Financial liabilities	(560)	(13 980)
Total risk exposure	(550)	(13 980)

34.1.2. Interest rate risk

The Group's policy is aiming for minimization of interest rate risk in long-term financing. As of March 31, 2011 and 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.

NOTES TO THE INTERIM CONCOLIDATED FINANCIAL STATEMENTS
For the period ended March 31, 2011

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:

	March 31, 2011	December 31, 2010
	BGN'000	BGN'000
Groups financial assets – carrying amounts:		
Cash and cash equivalents	276	48
Trade and other receivables	3 400	2 432
Carrying amount	3 676	2 480

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.

NOTES TO THE INTERIM CONCOLIDATED FINANCIAL STATEMENTS
For the period ended March 31, 2011

34. Risk associated with financial instruments (continued)

34.3. Liquidity risk analysis (continued)

As of March 31, 2011 and 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	6 to 12 months	1 to 5 years	More than 5
	months	months	years	years
	BGN'000	BGN'000	BGN'000	BGN'000
March 31, 2011				
Debenture loan	600	588	16 339	-
Obligations under finance lease	3	3	17	-
Trade and other liabilities	2 318	212	-	-
Total	2 921	803	16 356	-
	Current		Non-current	
	Within 6	6 to 12 months	1 to 5 years	More than 5
	months	months	years	years
	BGN'000	BGN'000	BGN'000	BGN'000
December 31, 2010				
Debenture loan	600	588	16 339	-
Obligations under finance lease	3	3	18	-
Trade and other liabilities	2 467	117	-	-
Total	3 070	708	16 357	-

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	March 31,	December 31,
		2011	2010
		BGN'000	BGN'000
Loans and receivables:			
Trade and other receivables	10,11	3 400	2 432
Cash and cash equivalents	13	276	48
		3 676	2 480

NOTES TO THE INTERIM CONCOLIDATED FINANCIAL STATEMENTS
For the period ended March 31, 2011

34. Risk associated with financial instruments (continued)

34.4. Categories financial assets and liabilities (continued)

Financial liabilities	Note	March 31, 2011	December 31, 2010
		BGN'000	BGN'000
Financial liabilities, measured at amortized cost:			
Non-current liabilities:			
Obligations under debenture loan, incl. interest	17	13 965	13 965
Obligations under finance lease	8	14	15
Current liabilities:			
Obligations under debenture loan, incl. interest	17	169	455
Obligations under finance lease	8	5	5
Trade and other liabilities	18,19	2 530	2 584
		16 683	17 024

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:

	March 31, 2011	December 31, 2010
	BGN'000	BGN'000
Debt	14 153	14 440
Cash and cash equivalents	(276)	(48)
Net debt	13 877	14 392
Equity	64 536	64 007
Net debt/equity	0.22	0.22

36. Post balance sheet events

There are no significant events occurring after the reporting period.