



## Interim Financial Statement

# ELARG AGRICULTURAL LAND OPPORTUNITY FUND REIT

30 June 2010

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## Statement of Financial Position

<b>ASSETS</b>	<b>Note</b>	<b>30.06.2010</b>	<b>31.12.2009</b>
		<b>BGN '000</b>	<b>BGN '000</b>
<b>Non-current</b>			
Investment property	4	64,249	64,249
Intangible assets	5	48	57
Plant and equipment	6	17	23
Investments in Subsidiaries	7	100	10
<b>Non-current assets</b>		<b>64,414</b>	<b>64,339</b>
<b>Current</b>			
Trade receivables	9	4,154	2,461
Advance payments	10	22	31
Related parties receivables	28.3	1,585	1,249
Tax receivables	11	25	59
Other receivables	12	414	442
Cash and cash equivalents	13	1,637	3,368
<b>Current assets</b>		<b>7,837</b>	<b>7,610</b>
Assets and disposal groups, classified as held for	14	17,593	17,593
<b>TOTAL ASSETS</b>		<b>89,844</b>	<b>89,542</b>

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

/ATA Consult OOD/

Executive Director: \_\_\_\_\_

/”ELARG Agricultural Land Opportunity Fund”  
REIT/

Date: 27.07.2010

## Interim Statement of Financial Position (continued)

EQUITY AND LIABILITIES	Note	30.06.2010 BGN '000	31.12.2009 BGN '000
<b>Equity</b>			
Share capital	15.1	59,716	59,716
Share premium	15.2	13,453	13,453
Accumulated loss		( 4,529)	(5,301)
<b>Total equity</b>		<b>68,640</b>	<b>67,868</b>
<b>Liabilities</b>			
<b>Current</b>			
Employee obligations	16.2	15	15
Debenture loans	17	19,558	19,558
Interest on debenture loans	17	551	561
Finance lease liabilities	8	1	5
Trade liabilities	18	1,018	1,421
Related parties liabilities	28,3	1	20
Tax liabilities	19	2	1
Other Liabilities		5	1
Advance payments received under rental	20	53	92
<b>Current liabilities</b>		<b>21,204</b>	<b>21,674</b>
<b>Total liabilities</b>		<b>21,204</b>	<b>21,674</b>
<b>Total equity and liabilities</b>		<b>89,844</b>	<b>89,542</b>

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

/ATA Consult OOD/

Executive Director: \_\_\_\_\_

/"ELARG Agricultural Land Opportunity Fund"  
REIT/

Date: 27.07.2010

## Interim Statement of Comprehensive Income

	Note	6 months to 30.06.2010	6 months to 30.06.2009
		BGN '000	BGN '000
Rental revenue from investment property	21	2,526	2,082
Other income		9	-
Cost of materials		(1)	(1)
Hired services expenses	23	(843)	(954)
Employee benefits expenses	16.1	(83)	(79)
Depreciation and amortization of non-financial	5,6	(19)	(8)
Gains from sale of non-current assets	22	-	6
Other expenses, net	24	(173)	(19)
<b>Operating profit</b>		<b>1,416</b>	<b>1,027</b>
Finance costs	25	(684)	(686)
Finance income	25	40	131
<b>Profit / (loss) before tax</b>		<b>772</b>	<b>472</b>
Income tax expense	26	-	-
<b>Profit / (loss) for the year</b>		<b>772</b>	<b>472</b>
Other comprehensive income for the year, net of		-	-
<b>Total comprehensive income for the year</b>		<b>772</b>	<b>472</b>
<b>Earnings / (loss) per share:</b>		<b>BGN</b>	<b>BGN</b>
Basic earnings per share:			
Profit / (loss)	27	0.0129	0.0079

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

/ATA Consult OOD/

Executive Director: \_\_\_\_\_

/ELARG Agricultural Land Opportunity Fund"  
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Date: 27.07.2010

## Interim Statement of Changes in Equity

All amounts are presented in BGN '000	Share capital	Share premium	Accumulated losses	Total equity
<b>Balance at 1 January 2010</b>	<b>59,716</b>	<b>13,453</b>	<b>(5,301)</b>	<b>67,868</b>
Profit for the year	-	-	772	772
Other comprehensive income for the year, net of taxes	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>772</b>	<b>772</b>
<b>Balance at 30 June 2010</b>	<b>59,716</b>	<b>13,453</b>	<b>(4,529)</b>	<b>68,640</b>
<b>Balance at 1 January 2009</b>	<b>59,716</b>	<b>13,453</b>	<b>(2,193)</b>	<b>70,976</b>
Loss for the year	-	-	(3,108)	(3,108)
Other comprehensive income for the year, net of taxes	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(3,108)</b>	<b>(3,108)</b>
<b>Balance at 31 December 2009</b>	<b>59,716</b>	<b>13,453</b>	<b>(5,301)</b>	<b>67,868</b>

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

/ATA Consult OOD/

Executive Director: \_\_\_\_\_

/ELARG Agricultural Land Opportunity Fund”  
REIT/

Date: 27.07.2010

## Interim Statement of Cash Flows

	Note	6 months to 30.06.2010 BGN '000	6 months to 30.06.2009 BGN '000
<b>Operating activities</b>			
Cash flows from customers - property leases		824	213
Cash paid to suppliers		(1,397)	(641)
l Cash paid to employees and social security institutions		(76)	(82)
Taxes Paid remitted		(59)	(49)
Interest received		60	64
Other proceeds/(payments) for operating activities		(11)	(26)
Net cash flow from operating activities		<b>(659)</b>	<b>(521)</b>
<b>Investing activities</b>			
Purchase of machines, plant and equipment			(1)
Purchase of intangible assets		(4)	(44)
Proceeds from sale of investments		-	8
Investments in Subsidiaries	7	(90)	(10)
Additional cash payments	30.1	(336)	-
Net cash flows from investing activities		<b>(430)</b>	<b>(47)</b>
<b>Financing activities</b>			
Proceeds from loans		665	-
Repayment of loans		(665)	-
Interest paid		(642)	(642)
Net cash flows from financing activities		<b>(642)</b>	<b>(642)</b>
Net change in cash and cash equivalents		<b>(1,731)</b>	<b>(1,210)</b>
Cash and cash equivalents, beginning of year		3,368	5,456
Cash and cash equivalents, end of year	13	<b>1,637</b>	<b>4,246</b>

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

/ATA Consult OOD/

Date: 27.07.2010

Executive Director: \_\_\_\_\_

/ELARG Agricultural Land Opportunity  
Fund" REIT/

## Notes to the Financial Statement

### 1. Subject of Activities

ELARG Agricultural Land Opportunity Fund REIT (the Company) is a public joint-stock company established at a Constituent Assembly held on 14 March 2005, with the company name Elana Agricultural Land Fund REIT. At the general meeting of shareholders held on 25 May 2008 the company name was changed to ELARG Agricultural Land Opportunity Fund REIT.

The Company was registered by the Sofia City Court in 7 April 2005 and was entered in the Commercial Register of the Sofia City Court under Company file No. 3781/2005, account number 92550, volume 1208, Reg. I, page 116. The Company is registered in the Commercial Register under UIC 131404159.

The seat and management address of the Company is: Sofia, 95-97, James Boucher Blvd., floor 1, and the address for correspondence is: 1407 Sofia, 16, Nikola Vaptsarov Blvd.

The subject of activity of the Company is investment of financial resources, raised through public offering of securities; acquisition of and investment in real estate through the purchase of ownership and other real rights over real estate; carrying out development and improvements in them, for the purpose of providing them for management, letting out, leasing, renting out and/or sale.

The special legislation regulating the activities of the Company is contained in and stems mainly from the Special Investment Purpose Companies Act (SIPC Act) and the Public Offering of Securities Act (POS Act). On the grounds of these, the Company is subject to regulation by the Financial Supervision Commission (FSC). The Company obtained a licence No. 370 for its operations, issued by the virtue of a decision of the FSC dated 1 June 2005.

The Company was established for a term of 13 years as from the date of its initial registration in the Commercial Register.

The Company has a single-level management system.

The Board of Directors (BD) of the Company comprises:

- Ivo Stanev Gadev, Member of the BD;
- Andrey Valerievich Kruglykhin, Member of the BD and Executive Director;
- Stefan Georgiev Stefanov, Chairperson of the BD
- Vassil Ivanov Vassilev, Member of the BD;
- Stoyan Lyubomirov Malkochev, Member of the BD.

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

As at 30 June 2010 the Company is represented by its Executive Director Andrey Valerievich Kruglykhin.

As at 30 June 2010 the share capital of the Company comprises 59,715,885 shares with par value BGN 1.

## **1.1. Investment Strategy, Goals and Limitations of the Company**

### Subject of Activities

The subject of activities of ELARG Agricultural Land Opportunity Fund REIT is investing of the financial resources raised through the issuing of securities in agricultural land. The main activity of ELARG Agricultural Land Opportunity Fund REIT is to organise the purchasing, letting out, gradual concentration and consolidation of the agricultural land portfolio.

### Main Goal

According to the Articles of Incorporation of ELARG Agricultural Land Opportunity Fund REIT, the main goal of the Company's investment activity is orientated towards the increase in the market value of the Company shares and paying dividends to shareholders, while maintaining and increasing the value of the equity.

### Investment Limitations

ELARG Agricultural Land Opportunity Fund REIT acquires only agricultural land and does not securitize other types of real estate. Pursuant to the requirements of the SIPC Act, the Company may not acquire ownership and other (limited) real rights over real estate situated outside the territory of the Republic of Bulgaria and may not acquire real rights over real estate which is subject to legal disputes.

Pursuant to the SIPC Act, the temporarily idle funds of the Company can be invested only in:

- securities issued or guaranteed by the Bulgarian government and bank deposits
- mortgage bonds, issued in accordance with the procedures and under the terms of the Mortgage Bonds Act, however in an amount of not more than 10% of the Fund's assets.

Pursuant to the SIPC Act the Company can invest up to 10% of its capital in one or more servicing companies. In June 2008 the General Meeting of the Shareholders of the Company adopted an amendment in the Articles of Association according to which the amount of the investments in agricultural land acquired for the purpose of changing its use may not exceed 10% of the book value of the Company's assets as at the end of each financial year and may not exceed EUR 5 million.

The shares of the Company are listed on the Bulgarian Stock Exchange.

## **1.2 Affiliated Companies of ELARG AGRICULTURAL LAND OPPORTUNITY FUND REIT**

ELARG AGRICULTURAL LAND OPPORTUNITY FUND REIT holds direct control participation in two affiliated companies.

Affiliated company	Country	Registered capital	Share owned by ELARG AGRICULTURAL LAND OPPORTUNITY FUND REIT
ELARG AGRO EOOD	Bulgaria	50,000	100%
ELARG WIND EOOD	Bulgaria	5,000	100%

The affiliated companies were incorporated in June 2009.

## 2. Basis for preparation of financial statement

The financial statement of the Company is prepared in compliance with the International Financial Reporting Standards (IFRS) developed and published by the International Accounting Standards Board (IASB) and adopted by the European Union (EU)

The financial statement is prepared in Bulgarian Levs (BGN) which is the functional currency of the Company.

The Company also prepares consolidated financial statements in compliance with the International Financial Reporting Standards (IFRS) developed and published by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) In it the investments in affiliated companies are reported and disclosed in compliance with IAS 27 "Consolidated and Separate Financial Statements".

The financial statement as at 30 June 2010 was approved and adopted by the Board of Directors on 27 July 2010.

## 3. Accounting Policy

### 3.1. General Provisions

The most important accounting policies applied in the preparation of this financial statement are presented below.

The financial statement is prepared following the principles of assessing all types of assets, liabilities, income and expenditure in compliance with the IFRS. The bases for assessment are disclosed in detail further below in the accounting policy to the financial statement. The statement is prepared in compliance with the going concern principle.

It should be noted that accounting estimates and assumptions have been used in the course of preparing this financial statement. Although they are based on information provided to the management as at the date of preparation of the financial statement, the actual results might differ from the estimates and assumptions made.

### 3.2. Presentation of the Financial Statement

The financial statement is presented in compliance with IAS 1 "Presentation of Financial Statements" (revision 2007).

The Company decided to present the statement of comprehensive income as a single statement.

### **3.3. Investments in Affiliated Companies**

Affiliated companies are all companies controlled by the Company. The control over the affiliated companies of the Company is expressed in its ability to direct and determine the financial and operational policies of the affiliated companies in a way allowing benefits to be achieved as a result of their operations. In the individual financial statement of the Company investments in affiliated companies are reported at cost.

### **3.4. Transactions involving foreign currency**

Transactions in foreign currencies are reported in the functional currency of the Company using the official exchange rate as at the transaction date (the fixing of the Bulgarian National Bank). Gains and losses on exchange differences, arising at the time of settling these transactions and restating the monetary positions in foreign currencies at the end of the reporting period are recognised in profit or loss.

Non-monetary positions measured at historic cost in foreign currencies are reported at the exchange rate at the transaction date (they are not restated). Non-monetary positions measured at fair value in foreign currencies are reported at the exchange rate at the date on which the fair value was determined.

### **3.5. Income**

Income comprises income from provision of services. Income from main services is presented in note 21.

Income is measured at the fair value of the consideration received or to be received, without including the value added tax, all commercial discounts or quantity rebates made by the Company.

Income is recognised when the following conditions are met:

- the amount of income can be reliably measured;
- it is likely that the economic benefits from the transaction will be received;
- the costs incurred or that will be incurred can be reliably measured;
- the recognition criteria, specific for each individual activity of the Company, have been satisfied. These are determined depending on the products or services, supplied to the client, and the contractual conditions, as specified below.

#### **3.5.1. Supply of services**

The services provided by the Company include letting/renting out of investment properties - agricultural land. The rental income from letting out the investment properties of the Company under lease agreements is recognised on the basis of the straight-line method over the term of the agreement.

### **3.5.2. Interest income**

Interest income and expenditure is currently reported using the effective interest rate method. Income from dividends is recognised at the time of occurrence of the right to receive payment.

### **3.6. Operating costs**

Operating costs are recognised in profit or loss at the time of using the services or at the date of their occurrence.

### **3.7. Interest expenditure and borrowing costs**

Interest expenditure is currently reported using the effective interest rate method.

The borrowing costs are mainly the interest expenditure under the borrowings of the Company. All borrowing costs that can be directly attributed to the acquisition, development or production of a qualifying asset are capitalised during the period in which it is expected that the asset will be completed and brought into a condition of being used or sold. The remaining borrowing costs shall be recognised as expenditure during the period of their origination, in the income statement, in line "Financial expenditure".

### **3.8. Intangible assets**

The intangible assets comprise software. They are reported at acquisition cost including all customs duties and unrecoverable taxes paid and all direct costs incurred in connection with the preparation of the asset for operation, where capitalised expenditure is depreciated using the straight-line method over the estimated useful life of the assets, since it is considered that the latter is limited. When an intangible asset is acquired as a result of a business combination, its cost is equal to its fair value at the date of acquisition.

Subsequent valuations are carried at acquisition cost minus depreciation and impairment loss accumulated. The impairments made are reported as costs and are recognised in the income statement for the corresponding period.

Subsequent expenditure occurring in connection with intangible assets after their initial recognition are recognised in the income statement at the time of their occurrence, except where due to them the asset can generate future economic benefits higher than the originally envisaged and this expenditure can be reliably assessed and attributed to the asset. If these conditions are fulfilled, the costs shall be added to the value of the asset.

The residual value and the useful life of intangible assets are assessed by the management as at each reporting date.

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

- Software            2 years

Depreciation costs are included in the income statement in the "Depreciation of non-financial assets" line.

The materiality threshold selected for the intangible assets of the Company is BGN 500.

### 3.9. Plant, Machinery and Equipment

Plant, machinery and equipment are initially measured at cost, including their acquisition price and all direct costs for bringing the asset into working condition.

Subsequent valuations of this group of assets are carried at acquisition cost minus depreciation and impairment loss accumulated. The impairments made are reported as costs and are recognised in the income statement for the corresponding period.

Subsequent costs, related to an individual asset from the plant, machinery and equipment group, are added to the book value of the asset when it is likely that the Company will have economic benefits higher than the initially estimated efficiency of the existing asset. All other subsequent costs are recognised as expenditure in the period in which they have been incurred.

The residual value and the useful life of plant, machinery and equipment are assessed by the management as at each reporting date.

Plant, machinery and equipment, acquired under the conditions of a financial lease, are depreciated on the basis of their expected useful life, determined via a comparison with similar own assets of the Company or on the basis of the lease contract, if its term is shorter.

The depreciation of plant, machinery and equipment is calculated using the straight-line method over the estimated useful life of individual groups of assets as follows:

- Plant, machinery and equipment 3.33 years
- Transport vehicles 4 years
- Business inventories 6.67 years
- Computers 2 years
- Other 6.67 years

Gains and losses from the sale of plant, machinery and equipment are determined as the difference between the receivables from the sale and the book value of the asset and is recognised in the income statement in the "Gains / (Losses) from sales of non-current assets" line.

The materiality threshold selected for the plant, machinery and equipment of the Company is BGN 500.

### 3.10. Reporting of lease agreements

In compliance with IAS 17 "Leases" the rights of disposal of the asset are transferred from the lessor to the lessee in the events where the lessee bears substantially the risks and rewards incident to the ownership of the asset leased.

At the time of conclusion of a finance lease the asset is recognised in the statement of financial position of the lessee at the lower of the fair value of the asset leased and the present value of the minimum lease payments plus any incidental payments. In the statement of financial position the corresponding liability under the finance lease is also reflected regardless of whether part of the lease payments are due as advance payments at the time of conclusion of the finance lease agreement.

Subsequently the lease payments are allocated between the financial expenditure and the decrease in the unpaid liability under the finance lease.

The assets acquired under the conditions of a finance lease are depreciated in accordance with the requirements of IAS 16 "Property, Plant and Equipment" of IAS 38 "Intangible assets".

The interest portion of the lease payment is a fixed percentage of the non-extinguished liability and is recognised in profit or loss during the period of the lease agreement.

All other lease agreements are regarded as operating lease agreements. Payments under operating lease agreements are recognised as expenditure using the straight-line method over the term of the agreement. Expenditure related to operating leases, for example maintenance and insurance costs, are recognised in profit or loss at the time of their occurrence.

### **3.11. Tests for impairment of intangible assets and property, plant and equipment**

When calculating the amount of the impairment the Company defines the smallest distinguishable group of assets, for which independent cash flows can be identified ("unit generating cash flows"). As a result of this some of the assets are subject to impairment tests as individual assets and other - on the basis of the unit generating cash flows.

All assets and units, generating cash flows, are tested for impairment at least once a year. All other individual assets or units generating cash flows are tested for impairment where certain events or changes in circumstances indicate that their book value might not be recovered.

The amount by which the book value of an asset or a unit generating cash inflows exceeds their recoverable value, which is the higher of the fair value decreased by sales costs and the value of the asset in use, is recognised as impairment loss. To determine the value in use, the Company's management calculates the estimated future cash flows for each unit generating cash flows and determines the appropriate discounting factor for the purpose of calculating the present value of these cash flows. The data used in the testing for impairment are based in the latest approved budget of the Company, adjusted where necessary to eliminate the effect of future reorganisations and material improvements of assets. The discount factors are determined for each individual unit generating cash flows and reflect their respective risk profile, assessed by the Company's management.

Impairment loss of a unit generating cash flows is stated as a decrease in the book value of the assets within this unit. For all assets of the Company the management subsequently assesses whether there are indications that the impairment loss recognised in prior years might not longer exist or be lower. Impairment recognised during a prior period is reversed if the recoverable value of the unit, generating cash flows, is higher than its book value.

### **3.12. Investment properties**

The Company reports as investment properties agricultural lands which are held as a source for receiving rental or lease income, based on the acquisition cost model.

Investment properties are initially measured at cost, including the purchase price and all expenditure directly related to the investment property, for example fees for legal services, taxes on the transfer of the property and other transaction costs.

Following their initial recognition investment properties are reported at acquisition cost, decreased with the amount of all depreciation and impairment losses accumulated.

Subsequent costs, related to investment properties which have already been recognised in the Company's financial statements, are added to the book value of the property when it is likely that the Company will have future economic benefits higher than the initially estimated value of the existing investment properties. All other subsequent costs are recognised as expenditure during the period of their origination.

The Company writes investment properties off upon their sale or permanent removal from use, in the event that no economic benefits are expected from their release. The gains or losses resulting from the removal of the properties from use or their sale are recognised in the consolidated income statement and are determined as the difference between the net receivables from the releasing of the asset and its book value.

Rental income and operating expenses, related to investment properties, are presented in the income statement in lines "Income" and "Hired services".

### **3.13. Financial instruments**

Financial assets and liabilities are recognised when the Company becomes a party to contractual agreements involving financial instruments.

Financial assets are written off when control is lost over the contractual rights comprising the financial asset, i.e. when the rights to receive cash flows expire or significant part of the risks and rewards from ownership are transferred.

Financial liabilities are written off when they are extinguished, repaid, if the transaction is cancelled or the limitation period expires.

At the time of the initial recognition of financial assets and financial liabilities the Company measures them at fair value plus transaction costs, except for the financial assets and liabilities reported at fair value through profit or loss, which are initially recognised at fair value.

Financial assets are recognised on their settlement date.

Financial assets and financial liabilities are subsequently valued as described below.

#### **3.13.1. Financial assets**

For the purposes of subsequent valuation of financial assets, other than hedging instruments, they are grouped into the following categories:

- loans and receivables;

Financial assets are allocated to the individual category depending on the purpose for which they have been acquired. The category of a financial instrument determines the method of its valuation and whether income and expenditure is reported in the profit or loss, or in the other comprehensive income of the Company. All financial assets, except for these reported in profit or loss, are subject to impairment test as at the date of the financial statement. Financial assets are impaired when there is objective

evidence for this. Different criteria are applied to determine the impairment loss depending on the category of the financial asset, as described below.

All income and expenditure related to the holding of financial instruments is reported in profit or loss at the time of receiving them, regardless of how the book value of the financial asset to which they relate is assessed, and are presented in the income statement in the "Financial expenditure", "Financial income" or "Other financial positions" line, except for the impairment loss of trade receivables, which is presented in the "Other expenditure" line.

### **Loans and Receivables**

Loans and receivables which have occurred initially in the Company are non-derivative financial instruments with fixed payments, which are not traded in an active market. Loans and receivables are subsequently valued at depreciated cost, using the method of effective interest reduced with the amount of the impairment. Each change in their value is reflected in the profit or loss for the current period. Cash and cash equivalents, trade receivables and most other receivables of the Company fall within this category of financial instruments. No discounting is made where its effect is insignificant.

Significant receivables are tested for impairment separately where they are overdue as at the date of the financial statement or where objective evidence exists that the contractor will not discharge his liabilities. All other receivables are tested for impairment in groups, defined on the basis of the industry and region of the contractor, as well as other credit risks, if any. In this case the percentage of impairment is determined on the basis of historic data about unpaid liabilities of contractors for each group identified.

### **3.13.2. Financial liabilities**

The financial liabilities of the Company comprise bond bank loans, trade and other payables and payables under finance leases.

Financial liabilities are recognised where there is a contractual obligation to pay an amount of money or another financial asset to another company, or a contractual obligation to exchange financial instruments with another company at potentially unfavourable conditions. All expenditure related to interest and changes in the fair value of financial instruments, if any, are recognised in the profit or loss in the "Financial expenditure" or "Financial income" line.

Financial liabilities are subsequently valued at depreciated cost using the effective interest method, except for financial instruments held for sale or subject to valuation at fair value through profit or loss, which are valued at fair value taking the changes into account in the profit or loss.

Bank loans are obtained for the purpose of supporting the Company operations in the long term. They are reflected in the statement of financial position of the Company, net of the cost of obtaining the loans. Financial expenditure, such as premium owed at the time of settling or repurchase of the debt and direct transaction costs, are included in the income statement based on the accruals principle, using the effective interest method, and are added to the carry-over value of the financial asset to the extent in which they are not settled as at the end of the period in which they have occurred.

Trade payables are initially recognised at face value and are subsequently valued at depreciated cost, reduced with the payments made for settling the liability.

Dividends payable to shareholders are recognised when they are approved by the General Meeting of Shareholders.

### **3.14. Income tax**

The current taxes due are calculated in accordance with the Bulgarian legislation. Pursuant to the Corporate Income Taxation Act companies, licensed for operations under the SIPC Act, shall not be subject to corporation profit tax. As a result as at the date of the financial statement the Company has not accrued current and deferred taxes.

### **3.15. Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, cash in bank accounts, deposits without a fixed term and deposits with a term of up to 3 months.

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

When the Company intends to sell a non-current asset or group of assets (group to be disposed of) and it is very likely that the sale will be effected within 12 months, the asset or group to be disposed of are classified as held for sale and are presented separately in the statement of financial position.

Assets classified as held for sale are measured at the lower of their book value immediately before their classification as held for sale and their fair value minus the transaction costs. Assets classified as held for sale are not subject to depreciation after they are classified as held for sale.

### **3.17. Equity, reserves and payment of dividends**

The share capital of the Company reflects the par value of the shares issued.

The premium reserve comprises premiums received at the time of the initial and subsequent issuing of equity. All transaction costs related to the issuing of shares are deducted from the capital paid in, net of tax concessions.

The loss accumulated comprises the current financial result and the accumulated profit and uncovered loss from prior years.

All transactions with the owners of the Company are presented separately in the equity statement.

### **3.18. Pension and short-term employee benefits**

The short-term employee benefits include wages, salaries and social security payments.

Pursuant to the requirements of the Labour Code, upon termination of the employment relationship after the employee has acquired the right to pension for employment and age, the Company is obliged to pay him compensation in an amount of up to six gross salaries.

The Company has not develop and does not implement employee benefit plans after leaving.

Short-term employment benefits, including leave due, are included in the current liabilities in the "Payables to staff" line at the non-discounted value which the Company expects to pay.

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

Provisions are recognised where it is likely that current liabilities resulting from a past event will lead to an outgoing flow of Company resources and the amount of the liability can be reliably measured. It is possible for the term or amount of the outgoing cash flow to be uncertain. A current liability arises from the presence of a legal or constructive liability as a result of past events, for example guarantees, legal disputes. Provisions for restructuring are recognised only where a detailed official restructuring plan is developed and implemented or the management has announced the main points of the restructuring plan to those which might be affected by it. Provisions for future loss from operations are not recognised.

The amount which is recognised as provision is calculated on the basis of the most reliable estimate of the expenditure necessary for settling the current liability as at the end of the reporting period, taking into account the risks and uncertainties related to the current liability. Where a number of such liabilities exist, the possible need for outgoing flows for extinguishing of the liability is determined by treating the group of these liabilities as a whole. Provisions are discounted where the effect of the value of money over time is significant.

Compensations from third parties in connection with a liability for which the Company is sure of receiving are recognised as a separate asset. This asset may not exceed the value of the corresponding provision.

Provisions are reviewed at the end of every reporting period and their value is adjusted for the purpose of reflecting the best approximate valuation.

In the event that it is not considered likely for an outgoing flow of economic resources to arise as a result of a current liability, no liability is recognised. Contingent liabilities shall be valued subsequently at the higher of the comparable provision described above and the initially recognised amount decreased with the depreciation accumulated.

Possible inflows of economic benefits which do not satisfy the criteria for recognising an asset shall be considered as contingent assets.

### **3.20. Significant assumptions of the management in the applying of the accounting policy**

The significant assumptions of the management in the applying of the accounting policy of the Company, which have the most material impact on the financial statements, are described below. The main sources of uncertainty in the using of the accounting estimates are described in note 4.2.1.

#### **3.20.1. Income**

Rental / lease income is accrued currently after a signed lease / rental agreement is received in the office of the servicing company and is entered proportionately by quarters during the corresponding financial year regardless of the dates of the actual receipt of the payments due under these agreements. For agreements concluded up to 31 December of the year during which the farming year starts, one quarter of the

income is accrued in the last quarter of the current year and the remaining income is accrued by quarters up until the third quarter of the following year.

Invoices under rental / lease agreements are issued on the due date and are for the value of the amount owed under the agreement and the annexes to it.

### **3.20.2. Leases**

Pursuant to IAS 17 "Leases" the management classifies the lease agreements as financial leases. In certain events the lease transaction is not simple and the management needs to decide whether the agreement is a financial lease where all substantial risks and rewards incident to the ownership of the asset are transferred to the lessee.

### **3.21. Uncertainty of the accounting estimates**

In the course of the preparation of the financial statement the management makes a number of estimates, assessments and assumptions in connection with the recognition and measurement of assets, liabilities, income and expenditure.

The actual results might differ from the estimates, assumptions and assessments of the management.

Information about the important estimates, assumptions and assessments, which have the most considerable impact in the recognition and measurement of assets, liabilities, income and expenditure is presented below.

#### **3.21.1. Impairment**

The amount by which the book value of an asset or a unit generating cash inflows exceeds their recoverable value, which is the higher of the fair value decreased by sales costs and the value of the asset in use, is recognised as impairment loss. To determine the value in use, the Company's management calculates the estimated future cash flows for each unit generating cash flows and determines the appropriate discounting factor for the purpose of calculating the present value of these cash flows. When the estimated future cash flows are calculated, the management makes assumptions regarding the future gross profits. These assumptions are related to future events and circumstances. The actual results might be different and necessitate significant adjustments in the Company's assets over the following financial year.

In most cases when the applicable discount rate is determined, an assessment is made of the appropriate adjustments in connection with the market risk and the risk factors specific for the individual assets.

#### **3.21.2. Useful Life of Depreciable Assets**

The management reviews the useful life of depreciable assets at the end of each reporting period.

At the end of each financial year the management determines the useful life of the assets, which is the expected period of use of the Company's assets. Carry-over values of assets are analysed in notes 55 and 66. The actual useful life can differ from the assessment made as a result of technical and moral obsolescence, mainly of software and computer equipment.

### 3.21.3. Provisions

At present the Company is a defendant in several court proceedings, the outcome of which may result in liabilities in an amount different from the amount of the provisions recognised in the financial statement. The provisions will not be discussed in detail here in order to avoid prejudice related to the position of the Company in the disputes above.

## 4. Investment properties

The investment properties of ELARG Agricultural Land Opportunity Fund REIT comprise agricultural land in the territory of the Republic of Bulgaria held for the purpose of receiving rental/lease income.

The investment properties in which the Company invests are agricultural lands purchased for the purpose of receiving income in the form of rent, as well as of increasing their value through their gradual concentration, as well as agricultural lands purchased for the purpose of consolidation by individual regions and territories.

The changes in the book values presented in the statement of financial position can be summarised as follows:

	BGN '000
<b>Gross book value</b>	
Balance as at 1 January 2010	64,249
Additions:	-
Disposals	-
Balance as at 30 June 2010	64,249
<b>Book value as at 30 June 2010</b>	<b>64,249</b>
<b>Gross book value</b>	
Balance as at 1 January 2009	62,842
Additions:	14
- through replacement	14
Properties reclassified in 2009 into Investment properties (Wind Park Vetrino) and Assets held for sale	1,438
Disposals	(45)
Balance as at 31 December 2009	64,249
<b>Book value as at 31 December 2009</b>	<b>64,249</b>

As at 30 June 2010 the properties owned by the Fund have a value of BGN 64,249 thousand, as follows:

Total properties	Area, decares	Acquisition cost, BGN '000	Book value, BGN '000
<b>As at 31 December 2009</b>	<b>293,034</b>	<b>64,249</b>	<b>64,249</b>
Additions during the period	4	-	-
Disposals during the period	(2)	-	-
<b>As at 30 June 2010</b>	<b>293,036</b>	<b>64,249</b>	<b>64,249</b>

Investment properties are not pledged as security against loans.

The rental income for the period ending on 30 June 2010, amounting to BGN 2,526 thousand (2008: BGN 2,082 thousand) is included in the statement of comprehensive income in line "Rental income from investment properties".

The direct operating costs in the amount of BGN 28 thousand are reported in line "Hired services" (2009: BGN 40 thousand) and relate to fees and commissions under rental / lease agreements concluded.

## 5. Intangible assets

The intangible assets of the Company comprise software and intangible assets in the process of acquisition. The book values for the reporting periods presented can be analysed as follows:

	Software BGN '000	Cost of acquisition of intangible assets BGN '000	Total BGN '000
<b>Gross book value</b>			
Balance as at 1 January 2010	60	19	79
Newly acquired assets, purchased:	-	4	4
Assets written off	-	-	-
<b>Balance as at 30 June 2010</b>	<b>60</b>	<b>23</b>	<b>83</b>
<b>Depreciation</b>			
Balance as at 1 January 2010	(22)	-	(22)
Depreciation	(13)	-	(13)
Balance as at 30 June 2010	(35)	-	(35)
<b>Book value as at 30 June 2010</b>	<b>25</b>	<b>23</b>	<b>48</b>
<b>Gross book value</b>			
Balance as at 01 January 2009	10	-	10
Newly acquired assets, purchased:	4	65	69
Transferred from cost of acquisition of intangible assets	46	(46)	-
<b>Balance as at 31 December 2009</b>	<b>60</b>	<b>19</b>	<b>79</b>
<b>Depreciation</b>			
Balance as at 1 January 2009	(8)	-	(8)
Depreciation	(14)	-	(14)
Balance as at 31 December 2009	(22)	-	(22)
<b>Book value as at 31 December 2009</b>	<b>38</b>	<b>19</b>	<b>57</b>

All depreciation costs are included in the income statement in the "Cost of depreciation of non-financial assets" line.

## 6. Plant, machinery and equipment

The plant, machinery and equipment of the Company comprise 4 groups. The book value can be analysed as follows:

	<b>Office equipment BGN '000</b>	<b>Business inventory BGN '000</b>	<b>Transport vehicles BGN '000</b>	<b>Total BGN '000</b>
<b>Gross book value</b>				
Balance as at 1 January 2010	28	12	31	71
Additions	-	-	-	-
Disposals	-	-	-	-
Balance as at 30 June 2010	<u>28</u>	<u>12</u>	<u>31</u>	<u>71</u>
<b>Depreciation and impairment</b>				
Balance as at 1 January 2010	(25)	(4)	(19)	(48)
Disposals	-	-	-	-
Depreciation	(2)	(1)	(3)	(6)
Balance as at 30 June 2010	<u>(27)</u>	<u>(5)</u>	<u>(22)</u>	<u>(54)</u>
<b>Book value as at 30 June 2010</b>	<b><u>1</u></b>	<b><u>7</u></b>	<b><u>9</u></b>	<b><u>17</u></b>
<b>Gross book value</b>				
Balance as at 01 January 2009	51	5	24	80
Additions	5	7	7	19
Disposals	(28)	-	-	(28)
Balance as at 31 December 2009	<u>28</u>	<u>12</u>	<u>31</u>	<u>71</u>
<b>Depreciation and impairment</b>				
Balance as at 01 January 2009	(47)	(2)	(13)	(62)
Disposals	27	-	-	27
Depreciation	(5)	(2)	(6)	(13)
Balance as at 31 December 2009	<u>(25)</u>	<u>(4)</u>	<u>(19)</u>	<u>(48)</u>
<b>Book value as at 31 December 2009</b>	<b><u>3</u></b>	<b><u>8</u></b>	<b><u>12</u></b>	<b><u>23</u></b>

All depreciation costs are included in the income statement in the "Cost of depreciation of non-financial assets" line.

The Company has not pledged property, plant and equipment as security against its payables.

## 7. Investments in Affiliated Companies

Pursuant to a decision of the Board of Directors of ELARG Agricultural Land Opportunity Fund REIT dated 29 April 2009, two affiliated companies were established. ELARG Agricultural Land Opportunity Fund REIT owns 100% of the capital of these companies.

The Company holds the following investments in affiliated companies:

Name of the affiliated company	Country of incorporation	Core operations	30.06.2010	31.12.2009	participation
			BGN '000	BGN '000	
Elarg Agro EOOD	Bulgaria	Servicing company	95	5	100
Elarg Wind EOOD	Bulgaria	Servicing company	5	5	100
			<u>100</u>	<u>10</u>	

In accordance with the minutes of the meeting of the Board of Directors of ELARG Agricultural Land Opportunity Fund REIT in its capacity of a sole owner of the capital of Elarg Agro EOOD, held on 11 February 2010, BGN 90,000 (ninety thousand) were transferred to this company - from BGN 5,000 (five thousand) to BGN 95,000 (ninety five thousand).

The companies are included in the financial statements of the Fund on the basis of the cost method.

The Company has no contingent liabilities or other commitments made in connection with investments in affiliated companies.

## 8. Leasing. Finance leasing as a lessee

The Company has acquired under finance lease agreements a Skoda Fabia vehicle. The net book value of the asset acquired under a financial lease amounts to BGN 2,000. (2009: BGN 5,000). The asset is included in the Transport vehicles group (see note 6).

The future minimum lease payments at the end of each of the reporting periods presented are as follows:

	Minimum lease payments due		
	Up to 1 year	From 1 to 5 years	Total
	BGN '000	BGN '000	BGN '000
<b>30 June 2010</b>	1	-	1
Lease payments	-	-	-
Discounting	-	-	-
Net Present Value	<u>1</u>	<u>-</u>	<u>1</u>
<b>31 December 2009</b>			
Lease payments	5	-	5

	-	-	-
Discounting			
Net Present Value	<b>5</b>	-	<b>5</b>
<b>31 December 2008</b>			
Lease payments	6	5	11
Discounting	(1)	-	(1)
Net Present Value	<b>5</b>	<b>5</b>	<b>10</b>

The lease agreements include fixed lease payments and a buy-out option at the end of the lease term. The lease agreements are irrevocable, but do not contain any other limitations.

### 9. Trade receivables

	30.06.2010	31.12.2009
	BGN '000	BGN '000
<b>Receivables from lessees, gross, incl.</b>	4,403	2,785
Under rental/lease agreements 2009/2010	3,333	942
Under rental/lease agreements 2008/2009	821	1,519
Under rental/lease agreements 2007/2008	249	324
Receivables from clients and suppliers	-	-
Impairment of receivables 2007/2008	(249)	(324)
<b>Trade receivables</b>	<b>4,154</b>	<b>2,461</b>

All receivables are short-term. The net book value of trade receivables is regarded as a reasonable estimate of their fair value.

As at 30 June 2010 The receivables from lessees relate to the farming years 2008/2009 and 2009/2010.

### 10. Advance payments made

The most important amounts under advance payments made as at 30 June 2010 are as follows:

	30.06.2010	31.12.2009
	BGN '000	BGN '000
DIMITAR IVANOV	9	9
ALEXANDER ELENKOV	6	6
PEPA ARSENOVA	5	5
Other	2	11
	<b>22</b>	<b>31</b>

### 11. Tax receivables

	30.06.2010 BGN '000	31.12.2009 BGN '000
Value added tax to be refunded	25	59
	<b>25</b>	<b>59</b>

### 12. Other receivables

	30.06.2010 BGN '000	31.12.2009 BGN '000
Adjudicated receivables	544	544
Impairment of adjudicated receivables	(199)	(199)
<b>Book value of adjudicated receivables</b>	<b>345</b>	<b>345</b>
Legal claims	49	
Impairment of legal claims	(49)	
Book value of legal claims	-	
Advance payments made in connection with:		
lease agreements	35	47
Interest receivables	22	42
Other receivables	12	8
	<b>414</b>	<b>442</b>

In connection with the adhering to the principle of matching of income and expenditure, expenditure related to the following farming years are accrued as prepaid amounts under rental agreements and can be presented as follows:

	2012/2013 BGN '000	2011/2012 BGN '000	2010/2011 BGN '000	2009/2010 BGN '000	2008/2009 BGN '000
Book value as at 1 January 2010	(1)	(3)	(24)	(19)	
Accruals during the period				(1)	
Recognised during the period				13	
<b>Book value as at 30 June 2010</b>	<b>(1)</b>	<b>(3)</b>	<b>(24)</b>	<b>(7)</b>	
Book value as at 1 January 2009	-	-	(21)	(21)	(16)
Accruals in 2009	(1)	(3)	(3)	(4)	-
Recognised in 2009	-	-	-	6	16
<b>Book value as at 31</b>	<b>(1)</b>	<b>(3)</b>	<b>(24)</b>	<b>(19)</b>	<b>-</b>

December 2009

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### 13. Cash and cash equivalents

Cash and cash equivalents comprise the following components:

	30.06.2010 BGN '000	31.12.2009 BGN '000
Cash in bank accounts and in hand in:		
- Bulgarian levs	19	275
- Euros	59	29
Short-term deposits	1,559	3,064
Cash and cash equivalents	<u>1,637</u>	<u>3,368</u>

The Company has no blocked cash and cash equivalents.

As at the date of the statement the Company has deposits opened with Bulgarian Bank:

- Fixed-term deposit in the amount of EUR 460 thousand with an interest of 5% per annum;
- Fixed-term deposit in the amount of BGN 513 thousand with an interest of 4.75% per annum;
- Call deposit in the amount of BGN 145 thousand.

### 14. Assets and groups to be disposed, classified as held for sale

#### ***"Kambanite" Project***

In February 2008 the Fund concluded an agreement with a contractor for the development of a detailed development plan and change of the use of the agricultural land under the "Kambanite" Project. As at 31 December 2008 the land use was unchanged, but in the proposed change in the General Development Plan of Sofia the properties were regulated landed estates. As a result of this, in September 2008 the Board of Directors voted a decision, by the virtue of which the Executive Director of the Fund was empowered to conclude an agreement for agency in the sale of the "Kambanite" Project.

The change in the General Development Plan of Sofia, with which the land use in the "Kambanite" locality is changed from agricultural land to land for residential multifunctional use, however, was not approved by the Sofia Municipal Council and the Council of Ministers until the end of 2009.

At the beginning of 2010 the Fund concluded an agreement for a survey of the market, agency with potential clients for the sale of the above-mentioned property, participation in the negotiations and preparation of contracts for sale of the preliminary design and the properties owned.

	Area (decares )	Average price	Book value BGN '000 30.06.2010	Book value BGN '000 31.12.2009
"Kambanite" Project	183	BGN 96.14 / sq. m.	17,593	17,593

## 15. Equity

### 15.1. Share capital

The registered capital of the Company comprises 59,715,885 ordinary shares with a par value of BGN 1 per share. All shares are with right to receive dividends and a liquidation share and have one vote at the General Meeting of Shareholders attached.

	30.06.2010 BGN '000	31.12.2009 BGN '000
Shares issued and fully paid:		
At the beginning of the year	59,716	59,716
Shares issued and fully paid	59,716	59,716
<b>Total shares</b>	<b>59,716</b>	<b>59,716</b>

### 15.2. Premium reserve

Receivables in addition to the par value of the shares issued in years 2006 and 2006 are included in the premium reserve after deducting the registration and other regulatory fees and the corresponding tax privileges.

Total amount BGN 13,453 thousand 2006 – 9,946; 2005 – 3,507

## 16. Remuneration of staff

### 16.1. Staff Costs

Expenditure on remuneration of staff comprises:

	For the period ending on 30 June 2010 BGN '000	For the period ending on 30 June 2009 BGN '000
Salary costs	(14)	(14)
Costs under management agreements	(58)	(61)
Costs under service contracts	(5)	-
Social security contributions	(6)	(4)
<b>Staff Costs</b>	<b>(83)</b>	<b>(79)</b>

## 16.2. Payables to staff

The payables to staff, recognised in the statement of financial position, include the following amounts:

	30.06.2010	31.12.2009
	BGN '000	BGN '000
<b>Current:</b>		
Payables to staff, incl.		
- Current salaries under employment agreements	2	2
- Current salaries under management agreements	9	9
- Service contracts	2	2
Payables for social security contributions	2	2
Current payables to staff	<u>15</u>	<u>15</u>

## 17. Borrowings

In 2007 the Company issued a triennial unsecured bond loan in the amount of EUR 10,000,000 with a fixed interest of 7% per annum, where the interest is payable twice a year and the principal is payable as a lump sum upon the maturity of the bonds. The due date of the principal and the last interest payment is on 3 August 2010.

During the period the Company accrued interest expenditure in the amount of BGN 679 thousand, of which BGN 551 thousand for payments to the bond holders.

In February 2010 the Company used, under a bank loan agreement, an overdraft of EUR 340 thousand, which was repaid. The interest accrued and paid under the authorised overdraft amount to BGN 2 thousand.

## 18. Trade payables

Trade payables, included in the statement of financial position, include:

	30.06.2010	31.12.2009
	BGN '000	BGN '000
<b>Current:</b>		
Payables to servicing companies	933	1,230
Payables to regional representatives	68	68
Payables to suppliers	11	113
Other	6	10
	<u>1,018</u>	<u>1,421</u>

## 19. Tax payables

The tax payables comprise:

30.06.2010	31.12.2009
BGN '000	BGN '000

Value added tax to be paid in	1	
Income tax for natural persons	1	1
	<u>2</u>	<u>1</u>

## 20. Prepaid amounts under lease agreements

The prepaid amounts can be presented as follows:

	30.06.2010 BGN '000	31.12.2009 BGN '000
Costs under lease agreements	53	92
	<u>53</u>	<u>92</u>

Prepaid amounts are related to advance payments received from lessees for future business years. The recognition of the deferred income as current income is done at ¼ of the total amount, paid in advance, per quarter.

## 21. Rental income from investment properties

The rental income from investment properties of the Company can be analysed as follows:

	For the period ending on 30 June 2010 BGN '000	For the period ending on 30 June 2009 BGN '000
Rental income from investment properties 2007/2008		8
Rental income from investment properties 2008/2009	65	2,074
Rental income from investment properties 2009/2010	2,461	-
	<u>2,526</u>	<u>2,082</u>

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

For the period ending on 30 June 2010	For the period ending on 30 June 2009
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	BGN '000	BGN '000
Income from sales	-	8
Book value of non-current assets sold	-	(2)
<b>Profit from sale of non-current assets</b>	<b>-</b>	<b>6</b>

### 23. Hired services

Hired services comprise:

	For the period ending on 30 June 2010 BGN '000	For the period ending on 30 June 2009 BGN '000
Remuneration of a servicing company	(650)	(632)
Consultancy services	(38)	(117)
Lawyers fees	(24)	(67)
Costs and fees related to the conclusion of rental agreements	(28)	(40)
Notarial fees	(4)	-
Audit fee	(3)	(33)
Fees of licensed valuers	(18)	(26)
Charges (CD, FSC, BSE, Trustee bank of bond holders)	(10)	(12)
Membership fees BAALO	(5)	(5)
Advertising costs		(4)
Server hosting	(8)	-
Rent and maintenance	(6)	(2)
Communication and courier services	(2)	(1)
Court expenses	(8)	-
Other	(39)	(15)
	<b>(843)</b>	<b>(954)</b>

### 24. Other costs

The other costs comprise:

	For the period ending on 30 June 2010 BGN '000	For the period ending on 30 June 2009 BGN '000
Partial tax credit not recognised	(155)	
Business trips	(40)	(14)
Reversed impairment of receivables from clients - lessees	25	-
Entertainment expenses	(2)	(3)
Other	(1)	(2)
	<b>(173)</b>	<b>(19)</b>

## 25. Financial income and expenditure

The financial expenditure for the reporting periods presented can be analysed as follows:

	For the period ending on 30 June 2010 BGN '000	For the period ending on 30 June 2009 BGN '000
Interest under a bond loan	(679)	(684)
Interest under a bank credit	(2)	-
Exchange differences	(1)	
Bank fees	(2)	(2)
<b>Financial expenditure</b>	<b>(684)</b>	<b>(686)</b>

The financial income for the reporting periods presented can be analysed as follows:

	For the period ending on 30 June 2010 BGN '000	For the period ending on 30 June 2009 BGN '000
Interest income on bank deposits	40	131
<b>Financial income</b>	<b>40</b>	<b>131</b>

As at the date of the statement the Company has deposits opened with Bulgarian Bank:

- Fixed-term deposit in the amount of EUR 460 thousand with an interest of 5% per annum;
- Fixed-term deposit in the amount of BGN 513 thousand with an interest of 4.75% per annum;
- Call deposit in the amount of BGN 145 thousand.

## 26. Income tax expenditure

The Company accrues the current taxes due in accordance with the Bulgarian legislation. Pursuant to the Corporate Income Taxation Act companies, licensed for operations under the SIPC Act, shall not be subject to corporation profit tax.

## 27. Earnings / (Loss) per share

The main earnings / (loss) per share and the earnings / (loss) per share with decreased value are calculated by using as numerator the net profit / (loss), subject to distribution among the shareholders of the Company.

The weighted average number of shares used for the calculation of the main earnings / (loss) per share, as well as the net profit / (loss), subject to distribution among the holders of ordinary shares, can be presented as follows:

	For the period ending on 30 June 2010	For the period ending on 30 June 2009
Profit / (loss), subject to distribution (in BGN)	772	472
Weighted average number of shares	59,715,885	59,715,885
<b>Basic earnings / (loss) per share (in BGN per share)</b>	<b>0.0129</b>	<b>0.0079</b>

## 28. Transactions involving related parties

The related parties of the Company comprise the affiliated companies and the key management staff, as described below.

Unless it is explicitly mentioned, the transactions involving related parties have not been closed under special conditions and no guarantees were provided or received. The estimated amounts are usually paid into a bank account.

### 28.1. Transactions involving related parties

	For the period ending on 30 June 2010 BGN '000
Services received under service contracts	
- ELARG AGRO EOOD	10
- ELARG WIND EOOD	6
Additional monetary contributions paid in	
- ELARG AGRO EOOD	326
- ELARG WIND EOOD	10

### 28.2. Transactions with key management staff

The key management staff of the Company comprises the members of the Board of Directors. The remuneration of the key management staff includes the following expenditure:

	For the period ending on 30 June 2010 BGN '000	For the period ending on 30 June 2009 BGN '000
Short-term remuneration:		

Remuneration under management agreements	(58)	(61)
Social security contributions	(4)	(2)
<b>Total remuneration</b>	<b>(62)</b>	<b>(63)</b>

### 28.3. Accounts with related parties at the end of the year

	30.06.2010 BGN '000	31.12.2009 BGN '000
<b>Current</b>		
<b>receivables from:</b>		
- affiliated companies	1,585	1,249
<b>Total current receivables from related parties</b>	<b>1,585</b>	<b>1,249</b>
<b>Total receivables from related parties</b>	<b>1,585</b>	<b>1,249</b>
<b>Current</b>		
<b>payables to:</b>		
- affiliated companies	1	20
- key management staff	9	9
<b>Total current payables to related parties</b>	<b>10</b>	<b>29</b>
<b>Total payables to related parties</b>	<b>10</b>	<b>29</b>

## 29. Risks related to financial instruments

### Objectives and policy of the management concerning the risk management

The Company is exposed to different types of risks in connection with its financial instruments. The most important financial risks to which the Company is exposed are market risk, credit risk and liquidity risk.

The risk management of the Company is carried out by the central administration in co-operation with the management. A priority of the management is to provide short- and medium-term cash flows while decreasing its exposure to financial markets.

### 29.1. Analysis of the market risk

#### 29.1.1. Currency risk

Most of the Company's transactions are closed in Bulgarian levs. The foreign transactions of the Company denominated mainly in Euros expose the Company to currency risk.

In order to decrease the currency risk the Company monitors the cash flows which are not in Bulgarian levs. In principle there are separate risk management procedures for short-term (up to 6 months) and the long-term cash flows in foreign currencies. In the events where the amounts to be paid and received in the same currency offset each other, no additional hedging is necessary.

### 29.1.2. Interest risk

The Company policy is orientated towards minimising the interest risk in long-term financing. As at 30 June 2010 the Company is exposed to the risk of changes in the market interest rates under loans with floating interest rates. All other financial assets and liabilities of the Company are with fixed interest rates.

### 29.2. Analysis of the credit risk

The credit risk is the risk of a contractor not paying its liability to the Company. The Company is exposed to such risk in connection with different financial instruments, for example in the event of receivables from clients, depositing of funds, investments in bonds, etc. The Company's exposure to credit risk is limited to the amount of the book value of the financial assets, recognised at the end of the reporting period, as set out below:

	<b>30.06.2010</b>	<b>31.12.2009</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Groups of financial assets - book values:		
Cash and cash equivalents	1,637	3,368
Trade receivables	4,154	2,461
Receivables from related parties	1,585	1,249
<b>Book value</b>	<b>7,376</b>	<b>7,078</b>

The Company regularly monitors the non-implementation of the obligations of its clients and other contractors, individually or in groups, and uses this information to control the credit risk. It is a policy of the Company to close transactions only with clients with good credit rating. In the opinion of the Company management all financial assets mentioned above, which have not been impaired or which have fallen due during the reporting periods presented are financial assets with high credit rating.

The Company has not pledged its financial assets as security against other transactions.

With regard to the trade and other receivables the Company is not exposed to a considerable credit risk from any individual contractor or group of contractors with similar characteristics.

On the basis of historic indicators the management believes that the credit assessment of the trade receivables which have not fallen due is good.

The credit risk related to cash and cash equivalents is deemed immaterial since the contractors are banks with good reputation and high external credit ratings.

The book values described above are the maximum possible exposure of the Company to credit risk in connection with these financial instruments.

### 29.3. Analysis of the liquidity risk

The Company meets its needs for liquid funds by carefully monitoring the payments under the repayment plans of the long-term financial liabilities as well as the incoming and outgoing cash flows occurring in the course of its operating activities. The need for liquid funds is monitored for different time periods - daily and weekly, as well as on the

basis of 30-day forecasts. The need for liquid funds in the long term - for periods of 180 and 360 days, is determined every month. The need for cash is matched against the loans available in order to identify surpluses or deficits. This analysis determines whether the loans available will be sufficient to cover the Company's needs for the period.

The Company holds cash in hand in order to meet its needs for periods of up to 30 days. Funds for the long-term liquid needs are provided through loans in the amount required and sale of long-term financial assets.

As at 30 June 2010 the amounts due under the contractual liabilities of the Company (including interest payments, where applicable) are summarised as follows:

30 June 2010	Current		Non-current	
	Up to 6 months	Between 6 and 12 months	From 1 to 5 years	Over 5 years
	BGN '000	BGN '000	BGN '000	BGN '000
Bond loan	20,237		-	-
Payables to related parties	1	-	-	-
Payables under finance leases	1		-	-
Trade and other payables	1,025	-	-	-
<b>Total</b>	<b>21,264</b>	<b>-</b>	<b>-</b>	<b>-</b>

31 December 2009	Current		Non-current	
	Up to 6 months	Between 6 and 12 months	From 1 to 5 years	Over 5 years
	BGN '000	BGN '000	BGN '000	BGN '000
Bond loan	682	20,235	-	-
Payables to related parties	20	-	-	-
Payables under finance leases	3	2	-	-
Trade and other payables	1,436	-	-	-
<b>Total</b>	<b>2,141</b>	<b>20,237</b>	<b>-</b>	<b>-</b>

The values disclosed in this analysis on the due dates of the liabilities are the non-discounted cash flows under the contracts, which may differ from the book value of the liabilities as at the reporting date.

### 30. Policy and procedures for capital management

The objectives of the Company in connection with the capital management are:

- to guarantee the ability of the Company to continue operating as a going concern; and
- to provide adequate profitability for the owners by determining the price of goods and services depending on the risk level.

The Company manages its capital with the aim to achieve a maximum return for its shareholders through optimising the capital structure.

The debt-to-capital ratio is as follows:

	<b>30.06.2010</b>	<b>31.12.2009</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Debt	21,204	21,674
Cash in hand and cash equivalents	(1,637)	(3,368)
Net debt	19,567	18,306
Equity	68,640	67,868
Net debt / Equity ratio	<u>0.29</u>	<u>0.27</u>

### **31. Approval of the Financial Statement**

The financial statement as at 30 June 2010 (including the comparative information) was approved and adopted by the Board of Directors on 27 July 2010.