



Preliminary Consolidated Financial Statements

**ELARG AGRICULTURAL LAND
OPPORTUNITY FUND REIT**

31 December 2010

Consolidated Financial Statements
31 December 2010

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2010

	Note	As at December 31, 2010 BGN'000	As at December 31, 2009 BGN'000
ASSETS			
Non-current assets			
Investment property	5	63 096	64 249
Intangible assets	6	18	66
Property, plant and equipment	7	130	82
Deferred tax asset	30	50	-
Total non-current assets		63 294	64 397
Current assets			
Inventory	9	816	970
Trade receivables	10	2 297	2 461
Other receivables and prepayments	11	903	744
Receivables from agricultural subsidy	12	342	-
Cash and cash equivalents	13	48	3 372
Total current assets		4 406	7 547
Assets and disposal groups, classified as held for sale	14	17 593	17 593
Total assets		85 293	89 537

Prepared by: _____

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

Date: 31.01.2011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2010

	Note	As at December 31, 2010 BGN'000	As at December 31, 2009 BGN'000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	15.1	59 716	59 716
Share premium	15.2	13 453	13 453
Accumulated loss		(5 052)	(5 352)
Total equity		68 117	67 817
Liabilities			
Non-current			
Debenture loan	17	13 965	-
Obligations under finance lease	8	15	19
Total non-current liabilities		13 980	19
Current			
Trade payables	18	1 969	1 439
Debenture loan	17	-	19 558
Interest on debenture loan	17	456	561
Obligations under finance lease	8	5	9
Other payables	19	766	134
Total current liabilities		3 196	21 701
Total liabilities		17 176	21 720
Total equity and liabilities		85 293	89 537

Prepared by: _____

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

Date: 31.01.2011

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

	Note	Year ended December 31, 2010 BGN'000	Year ended December 31, 2009 BGN'000
Revenue from investment property rentals	20	4 737	3 963
Revenue from production sales	21	951	-
Revenue from sale of non-current asset	22	5 410	27
Cost of non-current assets sold	22	(2 915)	(12)
Gains from sale of non-current assets	22	2 495	15
Other income	24	438	3
Cost of materials	25	(493)	(533)
Hired services expenses	26	(4 463)	(2 441)
Employee benefits expenses	16.1	(410)	(210)
Depreciation and amortization of non-financial assets	6, 7	(55)	(30)
Impairment of receivables	27	(708)	(523)
Impairment of assets held for sale	27	-	(2 770)
Other expenses	28	(757)	(399)
Changes in work in progress of agricultural production	9	(102)	892
Operating profit / (loss)		1 633	(2 033)
Finance costs	29	(1 439)	(1 369)
Finance income	29	56	243
Profit/(loss) before taxation		250	(3 159)
Income tax expense	30	50	-
Profit/(loss) for the year		300	(3 159)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		300	(3 159)
Earning/(loss) per share:		BGN	BGN
Basic earnings per share:			
Earnings/(Loss)	31	0.005	(0.053)

Prepared by: _____

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

Date: 31.01.2011

The accompanying notes from page 7 to page 56 are an integral part of these consolidated financial statements.

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

	<u>Share capital</u> BGN'000	<u>Share premium</u> BGN'000	<u>Accumulated losses</u> BGN'000	<u>Total equity</u> BGN'000
Balance at January 1, 2009	59 716	13 453	(2 193)	70 976
Loss for the year	-	-	(3 159)	(3 159)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year, net of tax	-	-	(3 159)	(3 159)
Balance at December 31, 2009	59 716	13 453	(5 352)	67 817
Profit for the year	-	-	300	300
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year, net of tax	-	-	300	300
Balance at December 31, 2010	59 716	13 453	(5 052)	68 117

Prepared by: _____

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

Date: 31.01.2011

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2010

	Note	Year ended December 31, 2010 BGN'000	Year ended December 31, 2009 BGN'000
Cash flows from operating activities			
Cash flows from customers for investment property rentals and sales of agricultural production		5 976	2 570
Cash paid to suppliers		(5 822)	(2 909)
Cash paid to personnel and social security		(369)	(186)
Tax (paid)/remitted		19	(98)
Interest received		95	222
Other proceeds/(payments) for operating activities		(9)	14
Net cash provided by/(used in) operating activities		(110)	(387)
Cash flows from investing activities			
Purchases of investment property	5	(1 739)	(316)
Proceeds from investment property sales	5	5 619	23
Purchases of property, plant and equipment	7	(64)	(53)
Purchases of intangible assets	6	-	(78)
Net cash provided by/(used in) investing activities		3 816	(424)
Cash flows from financing activities			
Proceeds from loans		665	-
Repayment of loans		(6 258)	-
Obligations under finance lease		(35)	(2)
Interest paid		(1 402)	(1 271)
Net cash provided by/(used in) financing activities		(7 030)	(1 273)
Net increase/(decrease) in cash and cash equivalents		(3 324)	(2 084)
Cash and cash equivalents at the beginning of the year		3 372	5 456
Cash and cash equivalents at the end of the year	13	48	3 372

Prepared by: _____

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

Date: 31.01.2011

The accompanying notes from page 7 to page 56 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

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

1.1. Parent company

1.1.1. Principal activity

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

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

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

The Parent-Company was registered in Sofia City Court on 7 April 2005 and has been entered into the Court's Commercial Register under company case No 3781/2005, batch No 92550, volume 1208, register I, page 116. The Parent-Company has been entered into the Commercial Register with UIN 131404159.

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

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

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

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

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

Ivo Stanev Gadev, Member of the Board of Directors

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

Stefan Georgiev Stefanov, Member of the Board of Directors;

Dobromir Nikolaev Hristov, Member of the Board of Directors;

Dimitar Atanasov Valkov, Chairman of the Board of Directors

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

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

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

The accompanying notes from page 7 to page 56 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

1. General information about the economic group Elarg Agricultural Land Opportunity Fund REIT (continued)**1.1. The Parent company (continued)****1.1.2. Parent company's investment strategy, goals and restrictions***Scope of Business*

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

Main goals.

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

Investment restrictions

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

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

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

In compliance with the Special Investment Purpose Companies Act the Parent-Company may also invest up to 10% of its capital in one or more servicing companies. At the General shareholders' meeting held on 30 June 2008 the Parent-Company's shareholders accepted an amendment in the Parent Company's Statute in accordance with which the amount of the investments in agricultural land purchased for the purpose of change of designation is limited.

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

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

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

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

The accompanying notes from page 7 to page 56 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

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

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

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

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

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

1.2.1. Elarg Agro EOOD

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

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

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

The company has share capital of BGN 50,000 distributed in 1000 shares of BGN 50 each.

1.2.2. Elarg Wind EOOD

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

The accompanying notes from page 7 to page 56 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

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

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

1.2.3. Vidin Agro EOOD

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

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

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

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

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

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

2. Basis for the preparation of the financial statements

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

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

The Group's Consolidated financial statements are prepared and presented in compliance with the International Financial Reporting Standards (IFRS), as issued and published by the International Accounting Standards Board (IASB) and approved by the EU Commission. The investments in subsidiaries are presented in accordance with IAS 27 "Consolidated and Separate Financial Statements"

The Preliminary consolidated financial statements for the year ended December 31, 2010 are approved by the Board of Directors on March 1, 2011.

The accompanying notes from page 7 to page 56 are an integral part of these consolidated financial statements.

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

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:

- 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;
- 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;
- 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;
- 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:

IFRS 1 amendment - Additional Exemptions for First-time Adopters – exempt entities that use the full cost method for oil and gas properties from retrospective application of IFRSs. It also exempts entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4 “Determining whether an arrangement contains a lease”.

IFRS 1 “First-time Adoption of International Financial Reporting Standards” (revised 2008) improves the structure of the current standard making it easier to understand and to amend in the future. It does not introduce changes to the accounting requirements for first time adopters of International Financial Reporting Standards.

The accompanying notes from page 7 to page 56 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

3. Changes in accounting policies (continued)**3.1. Overall considerations (continued)**

IFRS 2 amendments - Group Cash-settled Share-based Payment Transactions - provide a clear basis to determine the classification of share-based payment transactions in consolidated and separate financial statements. Where a parent entity issues a cash-settled award to employees of its subsidiary, the amendments confirm that this will be treated as a cash-settled share-based payment transaction in the parent's separate and consolidated financial statements (the parent entity has granted the award and has the obligation to settle in cash); and as an equity-settled transaction in the subsidiary's financial statements (the subsidiary entity has no obligation to settle the award).

IFRS 3 "Business Combinations" (revised 2008) is a further development of the acquisition model. Transaction costs no longer form a part of the acquisition price; they are expensed as incurred. Consideration now includes the fair value of all interests that the acquirer may have held previously in the acquired business. This includes any interest in an associate or joint venture or other equity interests of the acquired business. If the interests in the target were not held at fair value, they are remeasured to fair value through the income statement. The revised standard gives entities the option, on a transaction-by-transaction basis, to measure non-controlling interests (previously minority interest) at the value of their proportion of identifiable assets and liabilities or at full fair value. The second approach will record goodwill on the non-controlling interest as well as on the acquired controlling interest.

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.

IFRIC 15 "Agreements for the Construction of Real Estate" provides guidance on determining whether an agreement is within the scope of IAS 11 "Construction contracts", or is for the sale of goods under IAS 18 "Revenue". This will depend on the terms of each agreement and the surrounding facts and circumstances. IAS 11 applies when an agreement meets the definition of a construction contract. The interpretation clarifies that when a buyer is able to specify the major structural elements of design, either before or during construction, the agreement meets the definition of a construction contract. IAS 18 applies in case that an agreement is for the sale of goods when the buyer has only limited ability to influence the major structural elements of design, either before or during construction.

In addition, an entity that is responsible only for the assembly of materials supplied by a customer, but not the acquisition of the related materials, generally applies the guidance in IAS 18 for sale of services. Conversely, if an entity is responsible for assembly and the related acquisition of materials, the guidance in IAS 18 for the sale of goods would apply.

IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" clarifies in respect of net investment hedging that the risk being hedged should relate to differences in functional currency between any parent (including an intermediate parent) and its subsidiary. The hedged risk cannot relate to the group's presentation currency. Hedging instruments may be held anywhere in the group (apart from the subsidiary that itself is being hedged).

The accompanying notes from page 7 to page 56 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

3. Changes in accounting policies (continued)**3.1. Overall considerations (continued)**

IFRIC 17 “Distributions of Non-cash Assets to Owners” clarifies how an entity should measure distributions of assets other than cash made as a dividend to its owners. The dividend payable is measured at the fair value of the net assets to be distributed. The difference between fair value of the dividend paid and the carrying amount of the net assets distributed is recognised in profit or loss. Additional disclosures are required if the net assets being held for distribution meet the definition of a discontinued operation under IFRS 5 “Non-current assets held for sale and discontinued operations”.

IFRIC 18 “Transfers of Assets from Customers” requires assets transferred from a customer in return for connection to a network or ongoing access to goods or services, or both to be recognised initially at fair value and the related revenue to be recognised immediately; or, if there is a future service obligation, revenue is deferred and recognised over the relevant service period.

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.

- 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.

The accompanying notes from page 7 to page 56 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

3. Changes in accounting policies (continued)**3.1. Overall considerations (continued)**

- 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, 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;
- 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;
- 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;
- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

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.

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. 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.

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.

The accompanying notes from page 7 to page 56 are an integral part of these consolidated financial statements.

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

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)****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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

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)****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.

-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.

The accompanying notes from page 7 to page 56 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

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)**

-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.

4. Accounting policy**4.1. Overall considerations**

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

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

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

4.2. Presentation of the Consolidated financial statements

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

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

4.3. Basis of consolidation

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

The accompanying notes from page 7 to page 56 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

4. Accounting policy (continued)**4.3. Basis of consolidation (continued)**

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

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

4.4. Foreign currency transactions

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

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.

The accompanying notes from page 7 to page 56 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

4. Accounting policy (continued)**4.6. Operating expenses**

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

4.7. Interest and loan expenses

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

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

4.8. Intangibles assets

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

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

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

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

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

- Software 2 years

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

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

4.9. Property, plant and equipment

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

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

The accompanying notes from page 7 to page 56 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

4. Accounting policy (continued)**4.13. Property, plant and equipment (continued)**

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

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

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

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

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

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

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

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

4.10. Reporting of lease contracts

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

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

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

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

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

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

The accompanying notes from page 7 to page 56 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

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 properties in which the Group invests consist of agricultural land, which is held for rental income by the acquisition cost model.

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

After their initial recognition the investment properties are recorded by their cost of acquisition decreased with all accumulated depreciation and impairment losses.

Subsequent costs related to investment property already recognized in the Group's Consolidated financial statements, are recorded within the carrying amount of the investment property if it is considered probable that the entity shall gain future economic benefits that exceed the initially estimated rate of efficiency of the existing investment property. All other subsequent costs are recognized as an expense for the period in which they are incurred.

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

Rental income and operating expenses from investment property are reported in the Income statement within "Revenue from investment property rentals" and "Hired services expenses" respectively and are recognized as it is described in Note 4.5 and Note 4.6.

The accompanying notes from page 7 to page 56 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

4. Accounting policy (continued)**4.13. Financial instruments**

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

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

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

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

Financial assets are recognized on the date of the settlement.

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

4.13.1. Financial assets

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

- Loans and receivables;

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

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

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.

The accompanying notes from page 7 to page 56 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

4. Accounting policy (continued)**4.13. Financial instruments (continued)****4.13.1. Financial assets (continued)**

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

4.13.2. Financial liabilities

The Group's financial liabilities include bond issue 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.

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.

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.

The accompanying notes from page 7 to page 56 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

4. Accounting policy (continued)**4.16. Inventories**

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

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

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

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

4.17. Non-current assets classified as held for sale

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

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

4.18. Equity, reserves and dividend payments

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

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

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

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.

The accompanying notes from page 7 to page 56 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

4. Accounting policy (continued)**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.

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 judgement in applying accounting policies

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

4.21.1. Revenue

Rental income is accrued after the receipt of a signed rental agreement in the servicing company's office and is recognized on a pro rata basis over the quarters of the respective agricultural year regardless of the dates of the actual receipt of the payments under these agreements. For agreements concluded by the end of the year during which the agricultural year commences, one quarter of the rental income is recognized in the last quarter of the current year and the remainder of the rental income is recognized on a pro rata basis until the third quarter of the following year.

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

4.21.2 Leases

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

The accompanying notes from page 7 to page 56 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

4. Accounting policy (continued)**4.21. Significant management judgement in applying accounting policies (continued)****4.21.3 Pending litigations, administrative or arbitration proceedings for amount above 10% of the equity of the Parent-Company**

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

The Parent-Company is a plaintiff under the internal arbitration case No 344/2009 pending before the Arbitration Court at BCCI against Elana Property Management AD. The Group claims nullity of the agreement entered into between the Group and Elana Property management AD, alleging that the imperative provisions of Art.114 of the Initial Public Offering Act have been violated. The total consideration of the claim is BGN 7 765 thousand. Under the same case, Elana Property Management AD has submitted a counter-claim for a forfeit on the basis of allegations for termination of the agreement on 15.12.2005. The initial claim consideration of the counter-claim amounts to BGN 10 452 thousand. As of the date of issuance of the Consolidated financial statements of the Group an expert opinion regarding re-calculation of the penalty fee is presented to the court. The next session of the court, on which the parties may present new evidence, is set for 15.02.2011.

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

4.22.1. Impairment

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

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

In 2010r. the Group recognised impairment losses for a total of BGN 708 thousand (2009: BGN 3 293 thousand), including impairment of assets held for sale for BGN 0 thousand (2009: BGN 2 770 thousand) and impairment of current assets – receivables for BGN 708 thousand (2009: BGN 523 thousand), in order to decrease their net carrying value to their recoverable value.

The accompanying notes from page 7 to page 56 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

4. Accounting policy (continued)**4.22. Estimation uncertainty (continued)****4.22.2. Useful life of depreciable assets**

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

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

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

4.22.3. Inventories

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

4.22.4. Provisions

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

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

5. Investment property

The investment properties of the Group consist of agricultural land on the territory of Bulgaria, which are held for rental, as well as increasing their 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 properties of the Group are analyzed as follows:

	<u>BGN'000</u>
Gross carrying amount	
Balance at January 1, 2009	62 842
Acquisitions in 2009, incl.:	14
- exchanges	14
Investment properties (Wind park Vetrino) reclassified from assets held for sale in 2009	1 438
Disposals in 2009	(45)
Balance at December 31, 2009	<u>64 249</u>
Net carrying amount at December 31, 2009	<u>64 249</u>
Acquisitions in 2010, incl.:	64 249
- purchases	1 782
- exchanges	241
Disposals in 2010	(2 935)
Balance at December 31, 2010	<u>63 096</u>
Net carrying amount at December 31, 2010	<u>63 096</u>

As at December 31, 2010 the investment properties of the Group amount to BGN 63 096 thousand (2009: BGN 64 249 thousand), as follows:

	<u>Area</u>	<u>Acquisition Cost</u>	<u>Carrying amount</u>
	<u>Decares</u>	<u>BGN'000</u>	<u>BGN'000</u>
As at December 31, 2008	<u>291 971</u>	<u>62 842</u>	<u>62 842</u>
Acquisitions in 2009	68	14	14
Reclassified (Wind park Vetrino)	1 200	1 438	1 438
Disposals in 2009	(205)	(45)	(45)
As at December 31, 2009	<u>293 034</u>	<u>64 249</u>	<u>64 249</u>
Acquisitions in 2010	5 873	1 782	1 782
Disposals in 2010	(14 090)	(2 935)	(2 935)
As at December 31, 2010	<u>284 817</u>	<u>63 096</u>	<u>63 096</u>

The accompanying notes from page 7 to page 56 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

5. Investment property (continued)

The investments properties of the Group are not pledged as collateral.

Investment properties amounting to BGN 20 thousand (2009: BGN 18 thousand) are written off due to lost court cases.

In compliance with the provisions of Art. 20 of the Special Purpose Entities Law the Parent company appointed Ocenki i Partniori OOD, an external expert, to perform a valuation of the Group's investment properties as at December 31, 2010. As of the issuance date of these financial statements the valuation for the year ended December 31, 2010 is in process of completion.

The fair value of the investment properties of the Group at December 31, 2009, as determined in the valuation of Ocenki i Partniori OOD, is BGN 91 778 thousand. The Group has adopted a more prudent and conservative approach for subsequent valuation of its investment properties after the initial recognition and presents the investment properties in the Consolidated financial statements of the Group at their acquisition cost.

The rental revenues for the year ended December 31, 2010 amounting to BGN 4 737 thousand (2009: BGN 3 963 thousand) are presented in the Consolidated statement of comprehensive income as "Revenue from investment properties rentals". Conditional rents are not recognised.

The direct operating costs amounting to BGN 51 thousand (2009: BGN 59 thousand) consist of fees and commissions related to rental contracts and are presented in the Consolidated statement of comprehensive income as "Hired services expenses".

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

6. Intangible assets

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

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

At the end of 2010, Intangible assets are tested for impairment and it was determined that no such indications exist except for the intangible assets in process of acquisition. For these assets the Group recorded impairment amounting to BGN 23 thousand which was recognised in the Consolidated statement of comprehensive income as "Other expenses" (see Note 28).

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

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

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 carrying amount 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'00	BGN'00	BGN'00	BGN'00	BGN'00	BGN'00
	0	0	0	0	0	0
Cost						
Balance at January 1, 2009	-	51	5	-	24	80
Acquisitions	-	9	9	17	46	81
Disposals	-	(28)	-	-	-	(28)
Balance at December 31, 2009	-	32	14	17	70	133
Acquisitions	21	3	1	23	26	74
Disposals	-	-	-	-	-	-
Balance at December 31, 2010	21	35	15	40	96	207
Accumulated depreciation						
Balance at January 1, 2009	-	(47)	(2)	-	(13)	(62)
Disposals	-	27	-	-	-	27
Depreciation charge	-	(5)	(2)	-	(9)	(16)
Balance at December 31, 2009	-	(25)	(4)	-	(22)	(51)
Depreciation charge	-	(4)	(1)	-	(21)	(26)
Balance at December 31, 2010	-	(29)	(5)	-	(43)	(77)
Net book value at December 31, 2009	-	7	10	17	48	82
Net book value at December 31, 2010	21	6	10	40	53	130

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.

The accompanying notes from page 7 to page 56 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

7. Property, plant and equipment (continued)

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

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

8. Leases**Finance lease as a lessee**

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

Future minimum lease payments under finance leases are as follows:

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

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.

Operating lease as a lessee

The future minimum payments under operating leases are as follows:

	Minimum lease payments		
	Within 1 year	1 to 5 years	Total
	BGN'000	BGN'000	BGN'000
At December 31, 2010	<u>6</u>	<u>18</u>	<u>24</u>
At December 31, 2009	<u>38</u>	<u>54</u>	<u>92</u>

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 2 thousand (2009: BGN 13 thousand). This amount contains the minimum lease payments.

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

The accompanying notes from page 7 to page 56 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

9. Inventory

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

	December 31, 2010	December 31, 2009
	BGN'000	BGN'000
Raw materials	26	78
Production	-	-
Work in progress	790	892
Total inventory	816	970

The value of materials recognised as an expense in the Consolidated statement of comprehensive income for the year ended December 31, 2010 is BGN 533 thousand (2009: BGN 5 thousand).

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

The materials of the Group consist of:

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

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

In accordance with the provisions of IAS 41, the agricultural production of the Group is 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. As a result the Group recognized impairment loss.

The impairment loss of production for season 2009/2010 is analyzed as follows:

Wheat	BGN 1 088 thousand
Sunflower	BGN 24 thousand

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

The accompanying notes from page 7 to page 56 are an integral part of these consolidated financial statements.

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

9. Inventory (continued)

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

	December 31, 2009	Accumulate d expenses in 2010	Cost of agricultura l production 2010	Other non- recurring farming costs	December 31, 2010
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Cost of materials	509	473	(702)	(2)	278
Expenses for land cultivation	368	1 323	(1 083)	(108)	500
Intragroup rental costs	-	118	(118)	-	-
Employee benefits expenses	15	50	(45)	(8)	12
Total work in progress	892	1 964	(1 948)	(118)	790
Net change in agricultural work in progress					(102)

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.

10. Trade receivables

	December 31, 2010	December 31, 2009
	BGN'000	BGN'000
Receivables under rental agreements, gross incl.:	3 065	2 785
Receivables under rental agreements for 2010/2011	1 187	-
Receivables under rental agreements for 2009/2010	1 072	942
Receivables under rental agreements for 2008/2009	581	1 519
Receivables under rental agreements for 2007/2008	225	324
Other trade receivables	38	-
Impairment of receivables for 2008/2009	(581)	-
Impairment of receivables for 2007/2008	(225)	(324)
Total trade receivables	2 297	2 461

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

The accompanying notes from page 7 to page 56 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

10. Trade receivables (continued)

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 “Impairment of receivables” and BGN 26 thousand received as insurance indemnification are recognized as “Other income”.

As of December 31, 2010 the Group made an assessment of the receivables under rental agreements for 2008/2009 and recognized impairment amounting to BGN 581 thousand in the Consolidated statement of comprehensive income as “Impairment of receivables”.

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

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

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

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

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

	December 31,	December 31,
	2010	2009
	BGN'000	BGN'000
Agrohold Bulgaria EOOD	182	-
Mega Group EOOD	164	147
ZP Nenko Ivanov Nenkov	112	39
ZP Tsvetelina Dimitrova Ivanova	68	-
ZP Dimitar Ivanov Dimitrov	60	27
Agro Tera Sever AD	53	78
GBM AD	50	-
Standart Agro AM EOOD	44	15
Silvia 7 OOD	42	-
ZP Anton Stoichev Mihailov	39	-
Markland EOOD	36	-
Ivalin Jotov ET	36	-
Ekaterina Jordanova MAT GER ET	30	31
ZP Hristo Hristov Nikolov	28	-
Satelit 4 OOD	24	-
Kemapul EOOD	20	-

The accompanying notes from page 7 to page 56 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

11. Other receivables and prepayments

Other receivables of the Group consist of:

	December 31, 2010	December 31, 2009
	BGN'000	BGN'000
Awarded receivables	544	544
Impairment of awarded receivables	(350)	(199)
Net book value of the awarded receivables	194	345
Prepayments related to contracts for:		
Purchase of investment properties	455	20
Rent of investment properties	23	47
Other rents and leases	-	7
Other	7	11
Tax credits (VAT recoverable)	114	255
Receivables from legal proceedings	49	-
Impairment of receivables from legal proceedings	(49)	-
Net book value of receivables – subject to legal proceedings	-	-
Legal fee and guarantee for future legal proceedings	71	-
Receivables from key management personnel (See Note 32.2)	17	2
Interest receivable	-	42
Other	22	15
Total other receivables	903	746

In 2010 the Parent company enters into an agreement with Land Investment, under which Land Investment 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 has finalized the purchases of land amounting to BGN 1 364 thousand and the remaining balance of the prepayment as at December 31, 2010 amounts to BGN 455 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 443 thousand to the Parent company. In January 2011 Land Investment repaid BGN 412 thousand of the remaining prepayment to the Parent company.

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

	2010	2009
	BGN'000	BGN'00
At January 1	199	-
Recognised	200	199
At December 31	399	199

The accompanying notes from page 7 to page 56 are an integral part of these consolidated financial statements.

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

11. Other receivables and prepayments (continued)

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> BGN'000	<u>2011/2012</u> BGN'000	<u>2010/2011</u> BGN'000	<u>2009/2010</u> BGN'000	<u>2008/2009</u> BGN'000
Carrying amount at January 1, 2009	-	-	(21)	(21)	(16)
Accrued in 2009	(1)	(3)	(3)	(4)	-
Recognised in 2009	-	-	-	6	16
Carrying amount at December 31, 2009	(1)	(3)	(24)	(19)	-
Accrued in 2010	-	(1)	-	(11)	-
Recognised in 2010	-	-	6	30	-
Carrying amount at December 31, 2010	(1)	(4)	(18)	-	-

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.

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.

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

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

13. Cash and cash equivalents

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

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

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

As at December 31, 2010 the Group does not have 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. 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, which changed the statute of the Kambanite area from agricultural land to land for resident use was approved by the Sofia City Council and the Ministry Council of Republic of Bulgaria at the end of 2009.

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

	Area	Average price	Net book value	Net book value
	Decares	BGN'000	31.12.2010	31.12.2009
			BGN'000	BGN'000
Kambanite project	183	96.14 ЛВ/КВ.М	17 593	17 593

The accompanying notes from page 7 to page 56 are an integral part of these consolidated financial statements.

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

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 certain expenses on the sale.

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 owned properties held for sale, as well as a valuation of the construction parameters for the owned properties on the basis of the approved general plan. As of the issuance date of these financial statements the valuation for the year ended December 31, 2010 is in process of completion and the differences arising from the valuation, if any, will be reported into the Annual Consolidated Financial Statements for 2010 of the Group.

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

	December 31, 2010	December 31, 2009
	BGN'000	BGN'000
Acquisition cost	20 363	20 363
Impairment to net recoverable amount	(2 770)	(2 770)
Net recoverable amount	17 593	17 593

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 cited contract 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, 2009 amounting to 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 held for sale”.

As at December 31, 2009 the estimates for the expected costs of the infrastructure required for the project according to valuation of the same external experts amount to 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 Company.

	December 31, 2010	December 31, 2009
	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

The accompanying notes from page 7 to page 56 are an integral part of these consolidated financial statements.

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

15. Equity (continued)**15.1. Share Capital (continued)**

The list of the major shareholders is as follows:

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

	2010	2009
	BGN'000	BGN'000
Wages and salaries	(115)	(49)
Management contracts	(243)	(138)
Freelance contracts	(21)	(5)
Social security	(28)	(16)
Unused paid leave	(3)	(2)
Total employee benefits expenses	(410)	(210)

The accompanying notes from page 7 to page 56 are an integral part of these consolidated financial statements.

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

16. Personnel (continued)**16.2. Amounts payable to employees**

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

	December 31, 2010	December 31, 2009
	BGN'000	BGN'000
Current:		
Amounts payable to employees, incl.:		
- Current wages and salaries of employees hired on labour contracts	8	9
- Current wages and salaries of employees on management contracts	37	10
- Freelance contracts	1	2
- Unused paid leave	3	2
Amounts payable to social security	4	4
Total amounts payable to employees	53	27

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

17. Loans

In 2007г. 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.

In August 2010 the general meeting of the bondholders approved a put-option with the Parent company for partial buy-back of bonds with a maximum nominal value of EUR 1 000 thousand on 31 October 2010 and bonds with a maximum nominal value of EUR 1 850 thousand on 31.12.2010. In November and December 2010 the Parent company redeemed bonds with a total nominal value of EUR 2 860 thousand.

For the year ended December 31, 2010 the Parent company accrued interest expenses amounting to BGN 1 421 thousand (2009 BGN 1 365 thousand). As at December 31, 2010 the interest payable to the bondholders amounts to BGN 456 thousand (2009: BGN 561 thousand).

In February 2010 the 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.

The accompanying notes from page 7 to page 56 are an integral part of these consolidated financial statements.

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

18. Trade payables

Trade payable of the Group consists of the following items:

	December 31, 2010	December 31, 2009
	BGN'000	BGN'000
Current:		
Servicing companies considerations	1 334	1 230
Amounts payables to suppliers	481	131
Amounts payable to customers	86	-
Other	68	78
Total trade payables	1 969	1 439

19. Other payables

Other payables of the Group are analyzed as follows:

	December 31, 2010	December 31, 2009
	BGN'000	BGN'000
Prepayments for sales of investment properties	450	-
Prepayments for rentals	117	92
Tax liabilities, incl.:		
Withholding tax	55	-
Personal income tax	4	2
VAT payable	61	-
Total tax liabilities	120	2
Amounts payable to employees (See Note 16.2)	53	27
Guarantee remuneration under management contract	8	12
Other	18	1
Total other payables	766	134

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

Prepayments for rentals are in relation 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:

	2010	2009
	BGN'000	BGN'000
Rental income for 2007/08	1	12
Rental income for 2008/09	96	2 978
Rental income for 2009/10	3 454	973
Rental income for 2010/11	1 186	-
Total revenue from investment property rentals	4 737	3 963

The accompanying notes from page 7 to page 56 are an integral part of these consolidated financial statements.

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS

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21. Revenue from production sales

	<u>2010</u>	<u>2009</u>
	BGN'000	BGN'000
Revenue from agricultural production sales, incl.		
Wheat	903	-
Sunflower	37	-
Total revenue from agricultural production sales	<u>940</u>	<u>-</u>
Revenue from sales of materials	11	-
Total revenue from production sales	<u>951</u>	<u>-</u>

22. Revenue from sale of non-current assets

	<u>2010</u>	<u>2009</u>
	BGN'000	BGN'000
Revenue from investment property sales	5 410	27
Cost of investment properties sold	(2 915)	(12)
Profit from investment property sales	<u>2 495</u>	<u>15</u>

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 properties.
- ▶ 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.

The accompanying notes from page 7 to page 56 are an integral part of these consolidated financial statements.

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS

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23. Operating segment information (continued)

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

December 31, 2010	Rental revenue from investment property BGN'000	Sales and purchases of investment property BGN'000	Farming BGN'000	Group items, adjustments and eliminations BGN'000	Consolidated BGN'000
Revenue					
External customers	4 737	5 410	951	-	11 098
Subsidy revenue	-	-	342	-	342
Inter-segment	118	-	-	(118) ¹	-
Total revenue	4 855	5 410	1 293	(118)	11 440
Results					
Cost of non-current assets sold	-	(2 915)	-	-	(2 915)
Cost of agricultural produce sold	-	-	(1 830)	-	(1 830)
Servicing company consideration	(1 354)	(374)	-	(305)	(2 033)
Administrative and other expenses	-	-	(387)	-	(387)
Inter-segment	-	-	(118)	118 ¹	-
Impairment of assets	(707)	-	-	-	(707)
Depreciation expense	(34)	-	(21)	-	(55)
Segment results	2 760	2 121	(1 063)	(305)	3 513
Other income				96	96
Indirect administrative expenses				(1 976)	(1 976)
Finance costs				(1 439)	(1 439)
Finance income				56	56
Profit before tax	2 455	2 121	(1 063)	(3 263)	250

The accompanying notes from page 7 to page 56 are an integral part of these consolidated financial statements.

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

23. Operating segment information (continued)

December 31, 2010	Rental revenue from investment property BGN'000	Sales and purchases of investment property BGN'000	Farming BGN'000	Group items, adjustments and eliminations BGN'000	Consolidated BGN'000
Investment property	47 435 ²	769 ²	2 738 ²	12 154 ²	63 096
Non-current assets, excluding investment property	27	-	171	-	198
Inventory	-	-	816	-	816
Trade and other receivables	2 572	455	173	-	3 200
Receivables from agricultural subsidy	-	-	342	-	342
Cash and cash equivalents	45	-	3	-	48
Assets and disposal groups, classified as held for sale	-	-	-	17 593	17 593
Operating assets	50 079	1 224	4 243	29 747³	85 293
Operating liabilities	1 873	450	432	14 421³	17 176

1. Inter-segment revenues are eliminated on consolidation.
2. Investment property is split by segments based on the decarees of investments property related to the respective segment. Investment property rented as of December 31, 2010 is reported in Segment Rental Revenue. Investment properties which have been contracted for sale with respective advance prepayment are included in Segment Sales and purchase of investment properties. Segment Farming includes investment properties of the Parent company which have been rented to Group entities engaged in agricultural activities. Investment properties which have not been rented as of December 31, 2010 are reported as Group items.
3. Segment liabilities do not include debenture loans amounting to BGN 13 965 thousand and related interest amounting to BGN 456 thousand, as these liabilities are managed on a group basis

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

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NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

24. Other income

	<u>2010</u>	<u>2009</u>
	BGN'000	BGN'000
Income from agricultural subsidy (see Note 12)	342	-
Insurance indemnification	26	-
Fines, penalty fees and interest for late payments	48	-
Car rentals	6	-
Other	16	3
Total other income	<u>438</u>	<u>3</u>

25. Cost of materials

Cost of materials of the Group consists of the following items:

	<u>2010</u>	<u>2009</u>
	BGN'000	BGN'000
Fertilizers	(308)	(17)
Sowing seeds	(150)	(418)
Fuel and maintenance parts for vehicles	(15)	(4)
Fuel for cultivation of agricultural land	(10)	(74)
Office stationary	(7)	(4)
Public utilities	(3)	-
Advertising materials	-	(16)
Total cost of materials	<u>(493)</u>	<u>(533)</u>

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NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

26. Hired services expenses

Hired services expenses of the Group comprise of the following items:

	<u>2010</u>	<u>2009</u>
	BGN'000	BGN'000
Servicing company consideration	(2 033)	(1 522)
Cultivation of agricultural land services	(743)	(349)
Agricultural land lease and rental expenses	(576)	-
Legal fees	(312)	(133)
Consultancy services	(263)	(117)
Insurances	(143)	(2)
Expenses and fees for conclusion of rental agreements	(88)	(59)
Fees (Central Depository, Financial Supervision Commissior Bulgarian Stock Exchange, etc.)	(66)	(17)
Accounting services	(60)	(5)
Internal audit remuneration	(48)	(59)
Rent and maintenance	(34)	(35)
Licenced valuers remuneration	(18)	(22)
Нотариални такси	(16)	-
Audit services	(15)	(39)
Advertising expenses	(13)	(11)
Postal and courier services	(10)	(2)
Court charges	(10)	(26)
Membership fee for the Bulgarian Association of Agricultural Land Owners	(5)	(5)
Transportation expenses	(2)	(15)
Other	(8)	(23)
Total hired services expenses	(4 463)	(2 441)

27. Impairment expenses

	<u>2010</u>	<u>2009</u>
	BGN'000	BGN'000
Impairment of assets held for sale	-	(2 770)
Impairment of receivables for rentals	(583)	(324)
Recovered impairment of receivables for rentals	75	-
Impairment of awarded receivables	(200)	(199)
Total impairment expenses	(708)	(3 293)

The impairment of trade receivables amounting to BGN 583 thousand (2009: BGN 324 thousands) is further analyzed in Note 10. The impairment of awarded receivables and receivables from legal proceedings amounting to BGN 200 thousand (2009: BGN 199 thousands) is further analyzed in Note 11.

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

The accompanying notes from page 7 to page 56 are an integral part of these consolidated financial statements.

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS

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28. Other expenses

Other expenses of the Group consist of the following items:

	<u>2010</u>	<u>2009</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Unrecognised tax credit (partial VAT recoverable)	(519)	(211)
Receivables written-off	(21)	(101)
Business trips	(102)	(53)
Net book value of agricultural land written-off as per court orders	(15)	(18)
Representative expenses	(13)	(10)
Impairment of expenses for intangible assets in process of acquisition	(23)	-
Cost of sold materials	(11)	-
Other	(53)	(6)
Total other expenses	<u>(757)</u>	<u>(399)</u>

29. Finance costs and income

Finance costs of the Group are analyzed as follows:

	<u>2010</u>	<u>2009</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Interest expense on debenture loan	(1 421)	(1 365)
Interest expense on overdraft bank loan	(2)	-
Bank fees	(6)	(4)
Broker commission for buy-back of bonds	(5)	-
Foreign exchange losses	(3)	-
Interest expense on finance lease	(2)	-
Total finance costs	<u>(1 439)</u>	<u>(1 369)</u>

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

	<u>2010</u>	<u>2009</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Interest earned on bank deposits	52	242
Interest income on bank accounts	2	1
Foreign exchange gains	2	-
Total finance income	<u>56</u>	<u>243</u>

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

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

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NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS

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30. Income tax

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, can be presented as follows:

	<u>2010</u>	<u>2009</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Profit/(loss) before taxation	250	(3 159)
Tax rate	<u>10%</u>	<u>10%</u>
Expected income tax (expense)/income	(25)	316
Tax effect on profits from activities according to the Special Investment Purpose Companies Act	121	(309)
Tax effect on unrecognised tax losses	<u>(46)</u>	<u>(7)</u>
Income tax expenses	<u>50</u>	<u>-</u>

Deferred tax assets amounting to BGN 50 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.

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:

	<u>2010</u>	<u>2009</u>
Profit/(loss), subject of distribution (BGN'000)	<u>300</u>	<u>(3 159)</u>
Weighted average number of shares	<u>59 715 885</u>	<u>59 715 885</u>
Basic earnings/(loss) per share (BGN'000 per share)	<u>0.005</u>	<u>(0.053)</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

31. Earnings/(loss) per share**Adjustments to the financial result of the Group for the year ended December 31, 2010 in accordance with the provisions of Art.10, p.1 of the Special Investment Purpose Companies Act**

	<u>2010</u>	<u>2009</u>
	BGN'000	BGN'000
Profit for distribution /accounting profit/(loss)	300	3 159
1.Increased/decreased with the expenses/revenues of following valuations of real estate property	-	2 770
2. Increased/decreased with loss / profit from transfer of property arrangements	(2 495)	(11)
3. Increased/decreased in the year of transfer of ownership of the property with the positive / negative difference between:	2 495	11
a) the sale price of the property	5 410	23
b) the historic price amount of the real property and the following expenses, leading to the increase in its carrying amount	(2 915)	(12)
4. Increased/decreased with the loss/profit from sales, reported for the year of the signing of the finance lease contract	-	-
5. Increased / decreased in the year of the expiration of the finance lease contract with the positive/negative difference between:	-	-
a) the profit from the sale of the property, reported in the beginning of the finance lease contract	-	-
b) the sum of the historic price of the property and the following costs, leading to the increase in its carrying amount	-	-
Adjusted profit	<u>300</u>	<u>378</u>

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 quarantees are granted or received. Liabilities are usually settled through bank transfres.

The accompanying notes from page 7 to page 56 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

32. Related parties transactions (continued)**32.1. Transactions with key management personnel**

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

	<u>2010</u>	<u>2009</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Short-term considerations:		
Considerations on management contracts	(243)	(138)
Social security expenses	(10)	(5)
Total considerations	(253)	(143)
Guarantee remuneration under management contract	8	12

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

	<u>December 31,</u>	<u>December 31,</u>
	<u>2010</u>	<u>2009</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Current		
Receivables from:		
-key management personnel	17	2
Total current receivables from related parties	17	2
Total receivables from related parties	17	2
Current		
Payables to:		
-key management personnel	37	22
Total current payables to related parties	37	22
Total payables to related parties	37	22

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

33. Non-cash transactions

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

- Acquired assets – agricultural land as a result of exchange arrangements amounting to BGN 241 thousand (2009 r: BGN 14 thousand);

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For the year ended December 31, 2010

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
December 31, 2010		
Financial assets	10	-
Financial liabilities	(113)	(13 965)
Total risk exposure	(103)	(13 965)
December 31, 2009		
Financial assets	29	-
Financial liabilities	(20 128)	(19)
Total risk exposure	(20 099)	(19)

34.1.2. Interest rate risk

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

The accompanying notes from page 7 to page 56 are an integral part of these consolidated financial statements.

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

34. Risk associated with financial instruments (continued)**34.2. Credit risk**

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

	<u>2010</u>	<u>2009</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Groups financial assets – carrying amounts:		
Cash and cash equivalents	48	3 372
Trade and other receivables	3 428	2 461
Carrying amount	<u>3 476</u>	<u>5 833</u>

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

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

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

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

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

34.3. Liquidity risk analysis

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

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

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34. Risk associated with financial instruments (continued)**34.3. Liquidity risk analysis (continued)**

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

	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	More than 5 years
	BGN'000	BGN'000	BGN'000	BGN'000
December 31, 2010				
Debenture loan	601	588	16 339	-
Obligations under finance lease	2	3	15	-
Trade and other liabilities	2 611	124	-	-
Total	3 214	715	16 354	-

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

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

34.4. Categories financial assets and liabilities

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

Financial assets	Note	December 31,	December 31,
		2010	2009
		BGN'000	BGN'000
Loans and receivables:			
Trade and other receivables	10,11,12	3 542	2 461
Cash and cash equivalents	13	48	3 372
		3 590	5 833

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NOTES TO THE CONCOLIDATED FINANCIAL STATEMENTS

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34. Risk associated with financial instruments (continued)**34.4. Categories financial assets and liabilities (continued)**

Financial liabilities	Note	December 31, 2010	December 31, 2009
		BGN'000	BGN'000
Financial liabilities, measured at amortized cost:			
Non-current liabilities:			
Obligations under debenture loan, incl. interest	17	13 965	-
Obligations under finance lease	8	15	19
Current liabilities:			
Obligations under debenture loan, incl. interest	17	456	20 119
Obligations under finance lease	8	5	9
Trade and other liabilities	18,19	2 735	1 454
		17 176	21 601

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:

	December 31, 2010	December 31, 2009
	BGN'000	BGN'000
Debt	17 176	21 720
Cash and cash equivalents	(48)	(3 372)
Net debt	17 128	18 348
Equity	68 117	67 817
Net debt/equity	0.25	0.27

36. Post balance sheet events

In January 2011 Land Investments repaid BGN 412 thousand of the remaining prepayment for acquisition of land to the Parent company (see Note 11).

The accompanying notes from page 7 to page 56 are an integral part of these consolidated financial statements.