ЕЛАРГ
ФОНД ЗА ЗЕМЕДЕЛСКА ЗЕМЯ АДСИЦ
ИНВЕСТИЦИИ ЗА ПЛОДОРОДИЕ

Grant Thornton

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

ELARG AGRICULTURAL LAND OPPORTUNITY FUND REIT

31 December 2009

Contents

CONSOLIDATED ANNUAL ACTIVITY REPORT OF ECONOMIC GROUP ELARG AGRICULTURAL LAND OPPORTUNITY FUND REIT FOR 2009

1. Systematized information about ELARG AGRICULTURAL LAND OPPORTUNITY FUND REIT (the Fund).

1.1. Information about the Fund – the Parent Company

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

On 22 May 2009, the General shareholders' meeting decided to change the Fund's name in accordance with its stock exchange ticker, that is ELARG AGRICULTURAL LAND OPPORTUNITY FUND REIT. The Fund's registered office and principal place of business has been changed and currently is: Sofia, bul. "James Baucher" 95-97, fl.1.

The Fund has been established with share capital amounting to BGN 500,000. The Fund's capital has subsequently been increased three times and by the end of 2009 the Fund has issued a total number of 59,715,885 shares. ELARG AGRICULTURAL LAND OPPORTUNITY FUND REIT is the biggest company in Bulgaria investing in agricultural land.

In August 2007 the Company issued an unsecured bonds amounting to EUR 10,000,000 for a period of three years at annual interest of 7% and interest payments twice a year. The maturity is on 3 August 2010.

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

- Stefan Georgiev Stefanov, Member and Chairman of the Board of Directors; (elected at the General shareholders' meeting held on 30.06.2008)
- Andrey Valerievich Kruglykhin, Member of the Board of Directors; Elected for Executive Director by decision of the Board of Directors from 10.02.2010. (elected as a member at the General shareholders' meeting held on 14.06.2007)
- Ivo Stanev Gadev, Member of the Board of Directors; (elected as a member at the General shareholders' meeting held on 22.05.2009)
- Vasil Ivanov Vasilev, Member of the Board of Directors; (elected as a member at the General shareholders' meeting held on 30.06.2008)
- Stoyan Lyubomirov Malkochev, Member of the Board of Directors and Executive director until 10.02.2010. (elected as a member at the General shareholders' meeting held on 30.06.2008)

The Procurator Georgi Petrov Lichev, elected by the Board of directors on 30 June 2008, has been dismissed following a decision of the Board of directors from 10.02.2009. As of the present report's preparation date a new Procurator has not been elected.

With a decision from the General meeting of shareholders held on 22 May 2009, the Board of Directors' member Strahil Videnov is dismissed by his request and is replaced as a member by Ivo Stanev Gadev. The decision is recorded in the Commercial Register of the Registry Agency to the Ministry of Justice.

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

The Fund has aquired a license № 370 to perform its activity according to a dessision of FSC dated 1 June 2005. FSC constantly monitors and controls the Fund`s for compliance of applicable legislation and protection of investors (shareholders) of the Fund.

The term for which the Fund has been established is thirteen years starting from its initial registration in the Trade register.

1.2. Subsidiaries

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

- Elarg Agro EOOD, UIN 200742256 with registered office and principal place of business: Sofia, bul. "Nikola Vaptsarov" 16, fl.1. The company is registered in June 2009 with a capital of 5,000 BGN, which is increased to 50,000 BGN, and entered as of 23 March 2010 in the Commercial Register of the Registry Agency to the Ministry of Justice. The sole owner of capital is ELARG AGRICULTURAL LAND OPPORTUNITY FUND REIT.

- Elarg Wind EOOD, UIN 200742256, with registered office and principal place of business: Sofia, bul. "James Baucher" 95-97, fl.1. The company has a capital of 5,000 BGN, the sole owner of the capital is ELARG AGRICULTURAL LAND OPPORTUNITY FUND REIT.

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

On the grounds of a signed contract with the Fund from 16.10.2009 for servicing its operations, Elarg Agro EOOD performs research and analysis with the intention of determining appropriate areas for the consolidation of agricultural land, owned by the Fund. The servicing company performs all the necessary legal and actual operations of organizing and conducting the consolidation process, researches the possibilities for consolidation by grouping of agricultural lands of the Fund with the intention of their rational and effective management, rehabilitation and sustainable development.
On the grounds of a signed contract with the Fund from 16.10.2009 for servicing its operations, Elarg Wind EOOD performs research, analysis, and preparation of the necessary documents related to identifying real estate owned by the Fund appropriate

for the development of wind parks. The servicing company organizes wind estimates and other climate characteristics, analisys of wind potential data, prepares strategy for realization of the commercial potential of the real estate, having the potential for development in this direction.

1.2.1. ELARG AGRO EOOD

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

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

1.2.2. ELARG WIND EOOD

Elarg Wind EOOD is registered in June 2009 in the Commercial Register of the Registry Agency with UIN 200742256, with registered office and principal place of business: Sofia, bul. James Baucher 95-97, fl.1. The Company's main activity is as a servicing company by means of the Special Investment Companies Act, management of real estate properties owned by a special investment purpose companies, completion of improvements on them and completion of related research and analysis, performing consultations on projects, related to the acquired from the special investment purpose companies real estate properties with the intention of increasing their value, research, design and development of complex sites in the field of power production, consulting activity in the field of power energetics, development and financing of energy projects, purchasing of goods and other material rights with the intention of resale in a initial, processed, and cultivated form, commercial representation and mediation, commissions, forwarding and transport arrangements, warehouse arrangements, license arrangements, advertising, communication, and program services and all other services unprohibited by law, with respect to the respective registration, license , and other requirements. The Company has a capital of BGN 5,000. Manager of the Company is Boiko Iordanov Mladenov.

Elarg Wind EOOD is approved by the FSC for a servicing company of Elarg Agricultural Land Opportunity Fund REIT with a decision from 3 November 2010. Its main objective is to research and plan the potential of land for development of restorable energy sources, coordination and management of activities for development of energy parks.

1.3. Fund's main counterparties

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

- Servicing companies

a) Following a decision of the Board of directors and an approval by the Financial Supervision Commission from 20.02.2009 a second servicing company, Agromanagement AD has been selected.
Agromanagement AD, registered office and principal place of activity at bul. "Nikola Vaptsarov" 16, Lozenetz District, Sofia; represented by Veselin Bojidarov Danev – Executive Director.

b) On 13 March 2009 by means of a notary invitation the servicing company Elana Property Management AD was notified of an established invalidity of the contract for activity service, concluded in 2005 due to breached imperative provisions of article 114 of the Public Offering of Securities Act. With the same notification, on the grounds of article 55, paragraph 1 of the Obligations and Contracts Act the Fund has demanded reimbursement of the paid contract considerations as well as delivering of all documentation and possessions of the Fund.

c) Following a decision of the Board of directors and an approval by the Financial Supervision Commission from 14.10.2009 a servicing company, which would perform accounting services for the Fund, is approved. ATA Consult OOD, UIN 121367189, has a registered office and principal place of activity at Sofia, "Kestenova gora" 16 str. The Company is represented by jointly and separately by Rumen Todorov Veselinov and Radosveta Kirilova Veselinova.

- Depository bank

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

- Bank agent of bond issues

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

1.3.1. Expert evaluators

Following the provisions of articles 19 and 20 of the Special Investment Purpose Companies Act the Fund has concluded agreements and/or has assigned the acquired real estate revaluation to the following independent expert evaluators:

- Values and Partnership OOD, with registered office and principal place of activity in Ilinden housing complex, Block 54, Entrance G, Krasna poliana District, Sofia; UIN 130918848; represented by Stefan Dimitrov Tilev and Velislava Stoianova Tileva

- Iavlena EOOD, with registered office and principal place of activity at Sofia, Gen. Gurko 76A str., floor 1; UIN 121268223; represented by the General manager – Strahil Ivanov Ivanov;

Following its obligations imosed by law the Fund has chosen the following valuers for 2010:

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

1.3.2. Registered auditors of the economic group

To audit the 2009 consolidated financial statements was selected Grant Thornton OOD, with registered office and principal place of activity at 54 William Gladstone St, Floor 3, Sofia 1000, entered in the registers of Sofia City Court under company case No 9558/1995, UIN 831716285, represented by Mariy Georgiev Apostolov – Manager. Grant Thornton is a member of the Institute of Certified Public Accountants (ICPA). Grant Thornton is under registration number 32 in the ICPA's registered audit companies list.

By decision of the General shareholders' meeting from 30 June 2008, the Company DFKAnda Consulting is chosen for internal auditor of the Fund.

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

2. Investment goals and restrictions

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

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

The scope of business of the subsidiaries is presented in point 1.2.1. and 1.2.2. of this document.

- **Main goal of the Group**

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

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

- **Investment restrictions**

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

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

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

In compliance with the Special Investment Purpose Companies Act the Company may also invest up to 10% of its capital in one or more servicing companies.

- **Criteria for purchase of arable agricultural land**

The criteria for agricultural lands selection and the Fund's price policy are incorporated in detailed rules for purchase of agricultural lands, in accordance with which agricultural land in Bulgaria for the needs of the Fund is classified into 5 price classes. Various land prices from the 1st to the 10th category are defined in each price class, which are divided into three sub-classes according to the size of the relevant parcel (up to 10 decares, between 10 and 20 decares and over 20 decares).

The Fund's price policy for each territory, in which the Fund buys land, is a consequence of a combination of the following main criteria:

Acquisition price
The acquisition price is not higher than the average market price for the corresponding category of agricultural lands in the respective territory.

Quality of the agricultural land
The Fund buys only agricultural lands which are suitable for cultivation of agricultural cultures (wheat, maize, barley, sunflower, rapeseed and others). The acquired agricultural lands are fields of 1st to 5th category, while lands of lower category may be acquired by exception if they are arable and suitable for cultivation.

Expected earnings
The levels of the current or expected rental rates for the relevant parcel of agricultural land are obligatorily taken into account at the selection of specific parcels for purchase and when determining the acquisition price.
Possibilities for concentration
Concentrated agricultural land within a territory is significantly more demanded by agricultural manufacturers, which increases the level of its rental rate, respectively its

market price. Higher acquisition prices are determined for territories in which the Fund has achieved or believes to be able to achieve concentration of land, which prices increase the land acquired in such type of territories.

Possibilities for consolidation
Due to the great fragmentation of land in Bulgaria, larger parcels of land have higher market prices. The Fund's pricing policy takes into account the possibilities for natural consolidation of already bought land or new parcels pending purchase.

Geographic location
The Fund's strategy is to allocate its portfolio in areas where the Fund will strive to concentrate its lands or in areas with strong investment interest. The goal is lands in these areas to be subsequently traded for lands in areas where the Fund will concentrate its portfolio.

- **Acquisition of agricultural land for the purpose of change of designation**

In 2006 the Fund's Board of directors decided to invest part of the temporary available cash funds in agricultural land for change of designation and subsequent sale. These investments were planned to be to an amount and time period which would not hinder investments of the Fund in arable agricultural land.

For the period 2006 – 2008 the Fund acquired four estates and two of them were sucssesfully sold in 2008. This corresponded with the accepted decision of the General meeting from 30 June 2008 for changes in the Statute, so investments other than those in agricultural land are limited.

On 16 December 2009 the Ministry Council accepted the long-awaited change in the General Urban Development Plan of Sofia, changing the statute of the land in Kambanite area from agricultural land to residential land with long-term perspective.

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

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

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

- **Restrictions regarding sources of financing**

The Company's Statute does not contain any provisions regarding capital changes that are more restrictive than the provisions set in the Commercial Act. In compliance with the law and the Statute, the capital shall be increased through issues of new shares or through the conversion of bonds into shares which were issued as convertible. A decision for capital increase shall be taken by the General shareholders' meeting.

In accordance with the change made by the General shareholders' meeting held on 22

May 2009 to articles 43 of the Fund's Statute, the Board of Directors is empowered within a period of up to 5 years from the entry into the Commercial Register of the Court to take decisions for capital increase of up to BGN 500,000,000 through the issue of new regular or preferred shares, including those with fixed or guaranteed dividend and/or with preferred redemsion and/or with option for converting to regular shares. In all cases of emission of new regular shares, the emission value of one share cannot be lower than the lesser value amongst the accounting value and the net value of the assets of one share of capital reported in the last quarter financial statement. In all cases of emission of convertible or replaceable shares, the converting/replacement price has to be at least 50% higher than the lower value amongst the accounting value and the net value of the assets of one share of capital of the Company, reported in the last quarter financial statements. In accordance with the change of Art. 44 made by the General shareholders' meeting on 22 May 2009, in 5 years from registering the change in the Statute in the Trade Register, the Board of Directors can accept decisions for issuing bonds in BGN, Euro or other currency in a total amount of the bond issue up to 500,000,000 BGN, if there is a developed and accepted detailed plan for repayment of the principal and the interest of the issue.

3. Information about the Fund's principal activity from its establishment until 31 December 2009 and during current financial year

As of 31 December 2009 the Group has invested a total amount of BGN 84,611,810 in agricultural land as follows:

Total investments in arable agricultural land for the period 2005 – 2009:

Indicators		As of 31.12.2009	As of 31.12.2008	As of 31.12.2007	As of 31.12.2006	As of 31.1.2005
Total acquired land at year end (cumulative)	**decares**	**293,034**	**293,172**	**251,167**	**143,790**	**20,700**
Acquired during the year	decares	68	42,735	107,413	123,090	20,700
Disposed during the year	decares	205	730	36	-	-
Average acquisition price during the year	BGN/decare	210	292	238	188	160
Average acquisition price (cumulative)	BGN/decare	219	219	207	184	160
Revaluated market price at year end per decare	BGN/decare	-	-	-	-	-
Investments during the year	**BGN**	**14,267**	**12,462,164**	**25,581,115**	**23,093,912**	**3,302,000**
Carrying amount of disposed land during the year	BGN	44,182	153,322	7,013	-	-
Total investments at year end (cumulative)	**BGN**	**64,248,941**	**64,278,856**	**51,970,014**	**26,395,912**	**3,302,000**

Investments in other agricultural land (for change of designation) for the period 2005 – 2009:

Indicators		As of 31.12.2009	As of 31.12.2008	As of 31.12.2007	As of 31.12.2006	As of 31.1.2005
Total acquired land at year end (cumulative)	**decares**	**183**	**183**	**271**	**188**	**-**
Project Kambanite	decares	183	183	183	173	-
Project Detelinata	decares	-	-	41	16	-
Project Elin Pelin	decares	-	-	47	-	-
Acquired land during the year	**decares**	**-**	**54**	**87**	**188**	**-**
Project Kambanite	decares	-	-	15	173	-
Project Detelinata	decares	-	-	26	16	-
Project Elin Pelin	decares	-	54	47	-	-
Sold (disposed) land during the year	**decares**	**-**	**142**	**5**	**-**	**-**
Project Kambanite	decares	-	-	5	-	-
Project Detelinata	decares	-	41	-	-	-
Project Elin Pelin	decares	-	101	-	-	-
Average acquisition price during the year	**BGN/decare**	**-**	**14,757**	**28,840**	**99,340**	
Project Kambanite	BGN/decare	-	-	188,722	98,234	-
Project Detelinata	BGN/decare	-	-	152,484	111,679	-
Project Elin Pelin	BGN/decare	-	32,985	24,624	-	-
Average acquisition price (cumulative)	**BGN/decare**	**111,273**	**109,792**	**95,777**	**99,340**	
Project Kambanite	BGN/decare	111,273	109,792	104,866	98,234	-
Project Detelinata	BGN/decare	-	-	137,058	111,679	-
Project Elin Pelin	BGN/decare	-	-	24,624	-	-
Investments during the year	**BGN**	**316,309**	**2,694,432**	**7,806,975**	**18,712,299**	**-**
Project Kambanite	BGN	316,309	899,557	2,758,553	16,981,274	-
Project Detelinata	BGN	-	28,773	3,888,355	1,731,025	-
Project Elin Pelin	BGN	-	1,766,102	1,160,067	-	-
Carrying amount of sold land during the year	**BGN**	**-**	**8,574,322**	**592,824**	**-**	**-**
Project Kambanite	BGN	-	-	592,824	-	-
Project Detelinata	BGN	-	5,648,152	-	-	-
Project Elin Pelin	BGN	-	2,926,170	-	-	-
Total investments at year end (cumulative)	**BGN**	**20,362,869**	**20,046,560**	**25,926,450**	**18,712,299**	**-**
Project Kambanite	BGN	20,362,869	20,046,560	19,147,003	16,981,274	-
Project Detelinata	BGN	-	-	5,619,379	1,731,025	-
Project Elin Pelin	BGN	-	-	1,160,067	-	-

Total investments in agricultural land for the period 2005 – 2009:

Indicators		As of 31.12.2009	As of 31.12.2008	As of 31.12.2007	As of 31.12.2006	As of 31.1.2005
Investments during the year	**BGN**	**330,576**	**15,156,595**	**33,388,090**	**41,806,211**	**3,302,000**
Carrying amount of disposed land during the year	BGN	44,182	8,727,643	599,837	-	-
Total investments at year end (cumulative)	**BGN**	**84,611,809**	**84,325,415**	**77,896,464**	**45,108,211**	**3,302,000**
Fair value of arable agricultural land	BGN	91,778,187	-	80,427,000	34,509,600	4,149,000
Carrying amount of arable agricultural land at year end	BGN	64,248,941	64,278,856	51,970,014	26,395,912	3,302,000
Fair value of agricultural land acquired for the purpose of change of designation	BGN	-	-	60,705,379	22,691,401	-
Carrying amount of agricultural land acquired for the purpose of change of designation	BGN	17,593,140	20,046,560	25,926,450	18,712,299	-
Carrying amount of Investment property and Assets held for sale	**BGN**	**81,842,081**	**84,325,415**	**77,896,464**	**45,108,211**	**3,302,000**

Investments in residential land with long-term perspective

	Area in decares	Average price	Carrying amount in thousand BGN 31.12.2009	Carrying amount in thousand BGN 31.12.2008
Project Kambanite	183	96.14 BGN/sq.m	17,593	20,047

Assets held for sale:

Project	Area in decares	Average price	Carrying amount in thousand BGN 31.12.2009	Carrying amount in thousand BGN 31.12.2008
Project Kambanite	183	96.14 BGN/sq.m	17,593	20,047
Project Wind Park (Vetrino *)	1,200	1,198	-	1,438
Total assets held for sale	**1,383**		**17,593**	**21,485**

**Project Wind Park Vetrino is reclassified from the assets held for sale to investment properties – agricultural land.*

Dynamics of investments in arable agricultural land for the period 2005 – 2009:

Month	Purchased land during the month	Acquisition price during the month	Total acquired land (cumulative)	Total investments	Acquisition price
	decares	BGN/decare	decares	BGN	BGN/decare
May 2005	200	145	200	30,000	150
June 2005	500	150	700	105,000	150
July 2005	1,700	149	2,400	358,000	149
August 2005	1,200	168	3,600	560,000	156
September 2005	4,600	164	8,200	131,400	160
October 2005	4,400	157	12,600	2,006,000	159
November 2005	800	170	13,400	2,142,000	160
December 2005	**7,300**	**159**	**20,700**	**3,301,000**	**159**
January 2006	1,500	167	22,200	3,551,000	160
February 2006	7,100	183	29,300	4,850,000	166
March 2006	13,800	178	43,100	7,314,000	170
April 2006	11,600	178	54,700	9,374,000	171
May 2006	13,900	178	68,600	11,842,000	173
June 2006	10,400	179	79,000	13,701,000	173
July 2006	17,400	208	96,400	17,313,000	180
August 2006	17,800	197	114,200	20,821,000	182
September 2006	14,400	193	128,600	23,605,000	184
October 2006	4,700	174	133,300	24,421,000	183
November 2006	4,700	175	138,000	25,245,000	183
December 2006	**5,800**	**198**	**143,800**	**26,396,000**	**184**
January 2007	3,800	216	147,600	27,218,000	184
February 2007	6,100	214	153,700	28,523,000	186
March 2007	9,300	221	163,000	30,575,000	188
April 2007	10,500	216	173,500	32,842,000	189
May 2007	10,400	213	183,900	35,054,000	191
June 2007	9,600	209	193,500	37,058,000	192
July 2007	12,400	229	205,900	39,903,000	194
August 2007	8,700	219	214,600	41,806,000	195
September 2007	9,200	241	223,800	44,020,000	197
October 2007	10,600	229	234,400	46,449,000	198
November 2007	8,500	366	242,900	49,564,000	204
December 2007	**8,300**	**290**	**251,200**	**51,970,000**	**207**

January 2008	3,300	257	254,500	52,681,500	207
February 2008	5,000	253	259,500	53,976,000	208
March 2008	4,600	244	264,100	55,196,900	209
April 2008	7,000	278	271,100	56,659,900	209
May 2008	4,600	269	275,700	58,172,700	211
June 2008	3,300	285	279,000	59,148,000	212
July 2008	3,400	291	282,400	60,151,200	213
August 2008	4,400	365	286,800	61,375,200	214
September 2008	4,800	368	291,600	62,985,600	216
October 2008	1,400	380	293,000	63,874,000	218
November 2008	172	359	293,172	63,911,430	218
December 2008	**-**	**-**	**293,172**	**64,278,862**	**219**
January 2009	-	-	293,172	64,278,862	219
February 2009	-	-	293,172	64,278,862	219
March 2009	-	-	293,172	64,278,862	219
April 2009	-	-	293,172	64,278,862	219
May 2009	-	-	293,172	64,278,862	219
June 2009	-	-	293,172	64,278,862	219
July 2009	-	-	293,172	64,278,862	219
August 2009	(137)	220	293,035	64,248,722	219
September 2009	-	-	293,035	64,248,722	219
October 2009	-	-	293,035	64,248,722	219
November 2009	-	-	293,035	64,248,722	219
December 2009	**-**	**-**	**293,035**	**64,248,722**	**219**

Note – as of 31.12.2009
As a result of court decisions the Group has desposed assets in the amount of 86.966 decares;
As a result of a sale the Group has disposed 52.215 decares;
As a result of exchanges the Group has disposed66.305 decares;
As a result of the changes the newely acquired agricultural land is 67.876 decares

Average price of acquisition by regions:

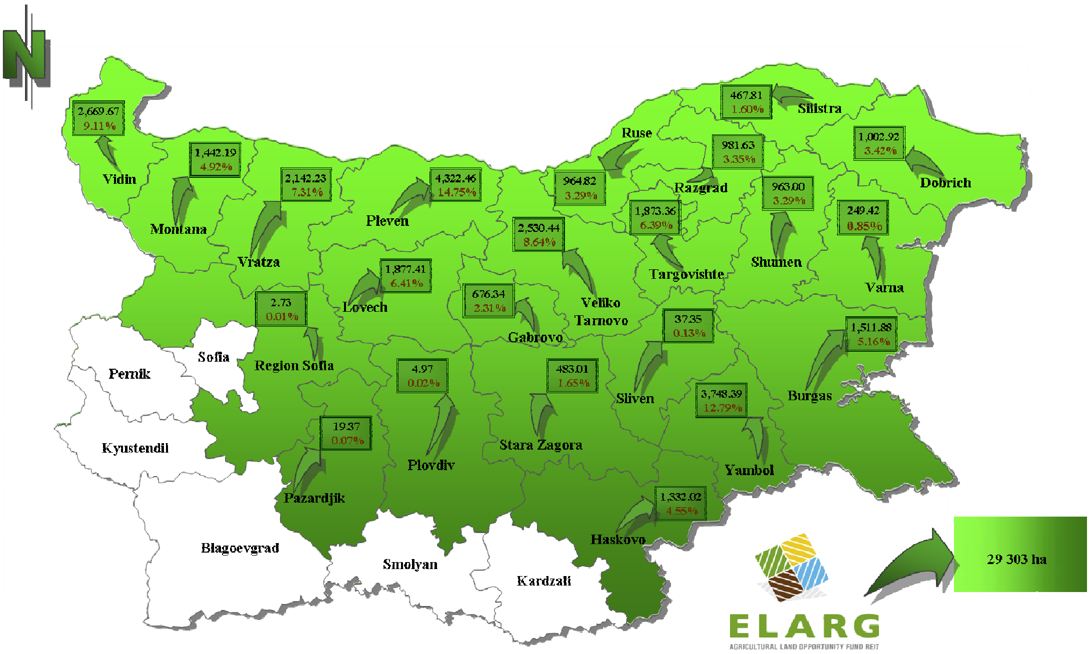
Allocation of investments in arable agricultural land by areas as of 31 December 2009:

Area	Owned land in decares	Share	Acquisition cost	Average acquisition price per decare in BGN
Pleven	43,225	14.75%	9,136,624	211
Yambol	37,484	12.79%	8,693,332	232
Vidin	26,697	9.11%	4,824,555	181
Veliko Tarnovo	25,304	8.64%	5,278,119	209
Vratsa	21,422	7.31%	4,789,325	224
Lovech	18,774	6.41%	3,663,020	195
Targovishte	18,734	6.39%	3,657,899	195
Burgas	15,120	5.16%	3,723,309	246
Montana	14,422	4.92%	3,046,468	211
Haskovo	13,320	4.55%	2,641,742	198
Dobrich	10,029	3.42%	3,315,281	331
Razgrad	9,816	3.35%	2,504,356	255
Russe	9,648	3.29%	1,971,966	204
Shumen	9,630	3.29%	1,845,219	192
Gabrovo	6,763	2.31%	1,242,754	184
Stara Zagora	4,830	1.65%	979,622	203
Silistra	4,678	1.60%	1,079,047	231
Varna	2,494	0.85%	1,724,979	692
Sliven	373	0.13%	78,429	210
Pazardzhik	194	0.07%	38,154	197
Plovdiv	50	0.02%	10,107	203
Sofia region	27	0.01%	4,415	162
Total	**293,035**	**100%**	**64,248,722**	**219**

Allocation of investments in arable agricultural land by categories as of 31 December 2009:

Category	Area (decares)	Share (%)
I-II	10,681	4%
III-V	240,238	82%
VI	28,090	10%
VII-X	14,026	5%
Total	**293,034**	**100%**

Allocation of investments in arable agricultural land by region as of 31 December 2009:



It can be seen from the presented activity spreadsheets that as of 31 December 2009 the Fund owned approximately 293,035 decares of arable agricultural land acquired at an average price of BGN 219 as well as 183 decares of agricultural land in the Kambani area, Sofia where there was a change in designation from agricultural land to residential land with a long-term perspective.

	2009	2008	2007	2006	2005	2004	2003	2002
Sold land (decares)	350,000	1,200,000	1,061,000	900,000	560,000	450,000	350,000	350,000
Market share of the Fund	0%	4%	10%	13%	8%	-	-	-

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

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

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

4. Management of the acquired agricultural land

4.1. Renting out/leasing of purchased properties

More than 78% of the land, purchased by the Fund, is cultivated by local farmers, and as at the time of the purchase most of these rental relations are not formalized by an explicit agreement between the farmer and the owner selling the property to the Group. The Fund tries not to buy agricultural land with an existing rental/leasing agreement under conditions which are unfavorable for the owner or considerably deviating from the market levels at the time of the purchase. Agromanagement AD determines the pricing policy and fixes a minimum level of rents for each agricultural year. One of the main tasks of the Fund is to continually identify all tenant farmers cultivating lands acquired by the Fund without legal grounds at the time of the land purchase. The Fund maintains and updates a database of information on the agricultural producers in all territories where it has acquired properties. Tenants/lessees are selected on the basis of the analysis of the collected information and are offered to cultivate the agricultural lands purchased in the relevant territory at the beginning of the respective agricultural season. The selection is based on a number of factors including: offered rental rate, term of contract, opportunities for subsequent rental of other purchased properties, risk of non-payment of the due rent and others. The Fund concludes mainly rental agreements for a period of 4 years with a 20% annual increase of rental rates. When the Fund considers that these agreements would not be profitable in the long term then it signs rental agreements for 1 year. The Group maintains an electronic database of the rental status of each purchased property which is updated on a monthly basis. The Fund was assisted in its rental activity by District Coordinators by places during the past years. Since the beginning of 2009 this practise is discontinued.

The expected changes in revenues for the next years are based on increasing rental incomes as well as planned for 2010 sale of agricultural land when the change in designation is completed. The cash flows from rent are estimated on a 10-20% base yearly increase of the rent for the period 2008-2011, in accordance with the signed 4-year contracts. The expectations of the Group are for a gradual increase to 81% in 2011 of the correlation between the rented land with registered contracts and the total acquired land.

The table below presents the results from the acquired agricultural land's rental/lease as well as the forecasts of the Fund's management for the expected income from rental activity for the present 2008/2009 agricultural year and the following agricultural years until 2010/2011 included.

Agricultural years	Accrued	Paid off	Remaining payments after 31.12. 2009
For 2005/2006	-	-	-
For 2006/2007	-	-	-
For 2006/2007	-	-	-
For 2007/2008	12	218	324
For 2008/2009*	2,978	2,228	1,518
For 2009/2010**	973	123	4,076
Total accrued	**3,963**	**2,569**	**5,918**

** The total accrued revenues from rental activities for the agricultural year 2008/2009 amount to a total of 3,746 BGN, including 768 thousand BGN accrued during the last quarter of 2008.*
*** The expected revenues from rental activities for the agricultural year 2009/2010 amount to 4,199 thousand BGN.*

Agricultural season	Year of due rental payments	Total acquired land	Rented-out land	Share (%)	Average rent (BGN)	Expected income (thousand BGN)
2005/2006	2006	20,700	2,898	14%	7	19
2006/2007	2007	143,000	70,070	49%	9	628
2007/2008	2008	251,000	170,680	68%	11	1,860
2008/2009**	2009	293,171	220,063	75%	17	3,749
2009/2010**	2010	293,034	227,518	78%	18	4,199
2010/2011**	2011	293,034	237,358	81%	20	4,747

** Total acquired land as of 31 December of the year in which the agricultural season begins;*
*** Data for the period 2009 – 2011 is forecasted and indicative.*

4.2. Land concentration and consolidation activities

The Fund's strategy and activities for the concentration and consolidation of acquired land may be divided into the following 4 stages:

June 2005 – December 2006
The Group buys land in almost all regions of the Danube Plain and Dobrudzha: Vidin, Vratza, Montana, Pleven, Lovech, Russe, Shumen, Targovishte, Veliko Tarnovo, Silistra and Dobrich as well as in the territory of the districts of Burgas, Yambol and Haskovo (Southeastern Bulgaria). The purpose is to accumulate a critical land volume of about 200,000 decares.

Since January 2007 the Fund has initiated the second stage of the realization of the acquired land concentration and consolidation as follows:

January 2007 – December 2007
A new pricing policy was introduced on 1 January 2007 aiming to achieve a natural concentration, based on price factors, of purchases in particular areas by dividing the land within the country's territory into five price classes. As of December 2007 the Fund has acquired land in about 1,500 territories while 92% of the land is located in 850 territories.

January 2008 – December 2008
By the end of this period the Fund intends to have designated not more than 400 territories as priority territories on the basis of a combination of various criteria where the Fund will strive to own concentrated land of about 1,000 decares per territory.

January 2009 – December 2009
During this period the Fund considered the development of a plan to exchange the land purchased outside the designated priority territories for land in priority territories. Along with this process participation in consolidation projects in the Fund's priority territories was undertaken with the intention of expanding as much as possible the land concentrated in one territory. Cultivation of own agricultural land began.

5. Systematized information from the Group's Consolidated financial statements for 2009

Consolidated statement of financial position

Assets	2009 '000 BGN
Non-current	
Investment property	64,249
Intangible assets	66
Plant and equipment	82
Non-current assets	**64,397**
Current	
Inventories	970
Trade receivables	2,461
Advance payments	31
Tax receivables	255
Other receivables	458
Cash and cash equivalents	3,372
Current assets	**7,547**
Assets and disposal groups, classified as held for sale	17,593
Total assets	**89,537**
Equity	
Share capital	59,716
Share premium	13,453
Accumulated loss	(5,352)
Total equity	**67,817**
Liabilities	
Non-current	
Debenture loans	-
Finance lease liabilities	19
Non-current liabilities	**19**
Current	
Employee obligations	27
Debenture loans	19,558
Interest on debenture loans	561
Finance lease liabilities	9
Trade liabilities	1,439
Tax liabilities	2
Other Liabilities	13
Advances received under rental contracts	92
Current liabilities	**21,701**
Total liabilities	**21,720**
Total equity and liabilities	**89,537**

Consolidated comprehensive income statement

	2009 '000 BGN
Rental revenue from investment property	3,963
Other income	3
Cost of materials	(533)
Hired services expenses	(2,441)
Employee benefits expenses	(210)
Depreciation and amortization of non-financial assets	(30)
Gains from sale of investment property	15
Other expenses	(3,692)
Changes in inventories and unfinished production	892
Operating profit	**(2,033)**
	-
Finance costs	(1,369)
Finance income	243
Profit / loss before tax	**(3,159)**
Income tax expense	-
Profit /(loss) for the year	**(3,159)**

A detailed description of the Group's trade and other receivables as of 31 December 2009 is presented below:

	2009 '000 BGN
Receivables under rental agreements for 2009/2010	942
Receivables under rental agreements for 2008/2009	1,519
Awarded receivables	345
VAT for reimbursment	255
Interest receivables	42
Advance payments	65
Receivables from regional representatives	20
Other receivables	17
Total	**3,205**

A detailed description of the Fund's current trade and other payables of the Group as of 31 December 2009 is presented below:

	2009 '000 BGN
Payables to servicing company	1,230
Payables to regional representatives	68
Payables to suppliers	131

Tax liabilities	2
Payables to employees	23
Payables to social security institutions	4
Finance lease liabilities	9
Other liabilities	23
Total	**1,490**

A detailed description of hired services expenses for 2009 is presented below:

	2009
	'000 BGN
Servicing company consideration	(1 522)
Services for cultivation of agricultural land	(349)
Charges and taxes under agreements for the sale of property	-
Consultant services	(117)
Legal fees	(133)
Charges and fees for the conclusion of rental agreements	(59)
Audit fees	(39)
Internal audit fees	(59)
Licenced valuers remuneration	(22)
Fees (Central Depository, Financial Supervision Commission, Bulgarian Stock Exchange, etc.)	(17)
Membership fee for the Bulgarian Association of Agricultural Land Owners	(5)
Advertisement	(11)
Rents and maintenance	(35)
Shipping and handling activities	(15)
Accounting services	(5)
Communication and courier services	(2)
Insurance	(2)
Court charges	(26)
Other hired services expenses	(23)
Total	**(2,441)**

Detailed information about the Fund's financial position is presented in the 2009 financial statements and the accompanying notes.

6. Other relevant information disclosed in compliance with appendix No 10 to Regulation No 2 on Public offering of securities prospectuses and disclosure of information by public entities and other securities issuers (as of 17 September 2003)

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

No transactions other than the ordinary activities of the Fund or transactions conducted under circumstances significantly different from the current market conditions have been conducted in 2009.

In 2009 there were no present events and indicators with extraordinary character for the issuer, having significant influence over its activity and its realized revenues and expenses.

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

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

No off-balance sheet transactions have been conducted in 2009
.

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

In compliance with article 4, paragraph 4 of the Special Investment Purpose Companies Act, "Real estate property acquired by special investment purpose companies must be situated in Bulgaria". Due to the nature of the Fund's activities, the imperative text of article 4, paragraph 4 of the Special Investment Purpose Companies Act prohibits activities outside the Republic of Bulgaria. No such activities were therefore conducted Detailed information about the Group's activities in Bulgaria is presented in section 3 of the current activity report.

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

- **Information about agreements in which the Fund is in the capacity of borrower, loan agreements with explicitly stated terms and obligations, including payment deadlines, as well as information about granted guarantees and other assumed obligations**

In August 2007 the Fund successfully traded an unsecured bond issue with a total amount of EUR 10,000,000. The issue has a 3-year maturity at annual fixed rate of 7% paid twice a year. The borrowed funds are used in compliance with the Fund's investment policy.

On 5 November 2009 a bank loan – overdraft was arranged for the amount of EUR 740,000 with terms of withdraw 24 January 2010. The Group has not withdraw any amounts under the mentioned bank loan arrangement – overdraft in the indicated period.

The subsidiaries have not entered into a loan arrangements as borrowers

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

The Fund has not granted loans and has not guaranteed loans granted to third parties.

- **Information about utilization of funds from new securities issues during the reporting period**

The Fund has not issued new shares in 2009. An unsecured bond issue amounting to EUR 10,000,000 has been placed in 2007. The borrowed funds are used for the realization of the Fund's investment activity for 2007, 2008, and 2009.

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

At the end of 2008, according to the Fund's forecasts for 2009, 30,000 to 40,000 decares of arable agricultural land had been planned for acquisition. Considering the economic crisis in 2009, the Fund has not acquired agricultural land in this period. There are insignificant number of exchanges of arable agricultural land owned by the Group, located in low priority territories for a land in high priority territories. At the end of 2008 the Group discontinued the acquisition of agricultural land because the prices increased unreasonably and did not reflect the market conditions. As of 31 December 2006 there was acquired agricultural land in the vicinity of Sofia with the intention of changing the designation, after which the land would be sold by the end of 2007, but the delay in the final approval of amendments to the Sofia General Site Development Plan affected adversely the urban planning procedures relevant to the purchased land and respectively its sale. At the end of 2009 the amendments to the Sofia General Site Development Plan are a fact and the management has undertaken actions for offering the land for sale, as there are signed two agency contracts.

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

As of 31 December 2009 the Fund has successfully issued an unsecured bond issue having a 3-year maturity at annual fixed rate of 7%, paid twice a year. The funds needed for paying off of the forthcoming interest payments on the bonds in 2010 will be covered entirely by the Fund's own resources and/or by rental proceedings and by proceedings from expected sales of land purchased for the purpose of change in designation.

As of the present report's preparation date the Fund does not have any other obligations, other than the above stated. The management of the Fund considers that, if the necessary financial resources are not secured by a loan, new bond emission, or an increase in capital, there is a threat from arising difficulties and/or impossibility of paying-off the bond emission on the maturity date of 3 August 2010.

- **Assessment of opportunities for realization of investment plans while considering the amount of available funds and possible changes in the structure of financing of the activities**

In 2010 The Fund does not intend to acquire agricultural land, only to exchange such land in low priority territories for such in high priority territories.

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

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

- **Information about the main characteristics of the Fund's internal control system and risk management system implemented in the process of the financial statements' preparation**

Following a decision of the General shareholders' meeting held on 30 June 2008 DFK Anda Consulting OOD has been chosen for the Fund's internal auditor. In accordance with the General meeting held on 22 May 2009, the Fund has selected an audit committee in accordance with the Independent financial audit law with the following members:

Simeon Purvanov Milev – member and Chairman of the Audit committee
Ivo Stanev Gadev – member of the Audit committee
Stefan Georgiev Stefanov – member of the Audit committee.

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

At the General shareholders' meeting held on 22 May 2009 a new member of the Board of Directors was elected – Ivo Stanev Gadev, Strahil Nikolov Videnov was dismissed as a member by his request. On 10 February 2010 the Board of Directors of the Fund elected Mr. Andrey Valerievich Kruglykhin as a new Executive Director. The former Executive Director Stoian Malkotchev remains a member of the Board of Directors, but without representative functions.

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

Pursuant to article 50 of the Fund's Statute each member of the Board of directors receives fixed monthly remuneration of 8 times the current minimum salary in Bulgaria. Remuneration of the members of the Board of directors due for 2009 has been paid-off as of year end.

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

As of the present report's preparation date members of the Board of directors did not own Fund's shares with the exception of Stefan Georgiev Stefanov, who as of 31 December 2009 owned 2,962 shares.

- **Information about obligations, known to the Fund (including those that have occurred after closing of accounts for the reporting year), the result of which is reflected in probable changes in the shareholders and bondholders structure**

No obligations, the result of which is reflected in probable future changes in the shareholders and bondholders structure, are known to the Fund.

- **Information about pending litigations, administrative or arbitration proceedings regarding receivables or payables of the Fund amounting to no less than 10% of its equity**

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

	Type of legal proceedings	Number	Amount of the potential loss for the Fund	Amount recovered	Remaining amount to be recovered
1	Settlements against the Fund which are concluded with the suspension of the Fund from the property.	5	28,984	-	28,984
2	Pending cases for which the Fund is a respondent and related proceedings for recovery of amounts paid for property from which the Fund may be suspended.	4	33,616	-	33,616
3	Executive court cases on the basis of issued receiving orders on promissory notes payable to the Fund	10	584,806	13,426	571,380
4	Pending cases for which the Fund is a plaintiff	1	3,500	-	3,500
5	Settlements for which the Fund has been a plaintiff	1	3,989	-	3,989
	Total		**654,895**	**13,426**	**641,469**

In 2009 the proceedings against the former regional representative Kalina Angelova have been concluded in the Fund's favor in front of the Veliko Tarnovo Appeal Court. The Fund has proceeded to obtain a receiving order.

As of the present report's preparation date, the Fund, by means of a private legal executor Ivan Hadjiivanov, has undertaken the necessary legal actions for collecting the receivables.

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

1. Arbitration case VAD 344 by the distraint of the Arbitration Court of the Bulgarian Chamber of Commerce and Industry by which the Fund is a plaintiff, and "Elana property management" AD is a respondent. Subject of the dispute is a reimbursement by the respondent of undue received payments under a service agreement between the two sides, signed in violation of the imperative decrees of Art. 114 of the Public Offering of Securities Act. As of the present report's preparation date, only one meeting is held by the decisive body on 8 February 2010 and there is an exchange of positions to be made by additional written evidence presented by the respondent.

2. Commercial case #1592/2009 by the distraint of Sofia City Court, initiated by a

statement of claim from ELARG AGRICULTURAL LAND OPPORTUNITY FUND REIT against the previous members of the Board of Directors – Georgi Lichev, Georgi Milanov, Peter Bojkov for damages caused by them to the Fund. As of the present report's preparation date, there is a date to be set for a first meeting on the case.

3. Commercial case #2057/2009 by the distraint of the Sofia City Court, initiated by claim from from ELARG AGRICULTURAL LAND OPPORTUNITY FUND REIT against Elana Fund Management AD for reimbursement of undue received payments under a portfolio management contract for an institutional investment, signed in a violation of the imperative decrees of Art. 114 of the Public Offering of Securities Act. As of the present report's preparation date, there is a first meeting to be set on the case.

- **Investor Relations Director**

In compliance with article 116d of the Public Offering of Securities Act, the Board of directors of Elarg Agricultural Land Opportunity Fund REIT has appointed on a labour contract Silvia Georgieva Nikolova as an Investor Relations Director. She has an adequate qualification and experience for the fulfilment of her duties; she is not a member of the managing and supervisory body or a procurator of a public company and meets all other requirements of the Public Offering of Securities Act for the position of Investor Relations Director of a public company. In accordance with article 116d of the Public Offering of Securities Act, the main duty of the Investor Relations Director is the implementation of an effective relation between the Fund's Board of directors, on one hand, and its shareholders and investors, on the other. In particular, the Investor Relations Director is responsible for:

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

(b) presentation of reports and notifications to the Financial Supervision Commission, Bulgarian Stock Exchange – Sofia AD, and to the Central Depository;

(c) Preparing and archiving the minutes of the meetings of the Board of Directors.

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

7. Information in accordance with article 41, paragraph 1, point 7 of Regulation No. 2.

- **Relative share of rented assets to the total amount of securitized assets**

The agricultural year in Bulgaria begins in October and ends in September the following year. More than 90% of the land owned by the Fund is cultivated by local farmers. Upon the purchase of each parcel of land the farmers cultivating the specific parcel are identified. The identification process is time-consuming resulting in a difference in the effectively cultivated area of the parcel and the rented out area for which there are signed agreements. The following table presents the size of cultivated rented out land as well as expected rental income per year:

Agricultural years	Year of receiving rent	Total acquired land	Rented out land	Share (in %)	Average rent BGN	Expected revenues (`000 BGN)
2005/2006	2006	20,700	2,898	14%	7	19
2006/2007	2007	143,000	70,070	49%	9	628
2007/2008	2008	251,000	170,680	68%	11	1,860
2008/2009	2009	293,171	220,063	75%	17	3,749
2009/2010**	2010	293,034	227,518	78%	18	4,199
2010/2011**	2011	353,034	285,958	81%	20	5,719

There is a risk of refinancing the bond issue with maturity 3 August 2010. If the Group does not manage to mobilize cash resource under a debt form, new bond emission, increase of capital, or realization of assets held for sale, it may come to alienation of a part of our agricultural land, which would reflect negatively over the forecasted cash flows from rent.

The receiving of grants for a second consecutive year for a unit area from the EU motivates considerably local farmers to try to formalize their relations with the respective land owner of the land they use. This suggests that for the 2009-2010 period the size of the rented out area under a written contracts is going to differ insignificantly from the size of the actual cultivated area of the Group from local tenants.

As of the present report's preparation date negotiations take place with insurance companies for insuring the risk of non-payment of rent for the agricultural year 2009/2010 and the following years.

- **Information about sale or purchase of a new asset having value greater by 5% than the carrying amount of the securitized assets and information about transactions conducted after the preparation of the annual financial statements**

For the period from 1 January 2009 until the present report's preparation date the Fund has not purchased assets with value greater than 5% of the carrying amount of the securitized assets.

- **Construction works, repairs and improvements of real estate property**

The Fund's investment policy does not stipulate conducting construction works and repairs to the lands owned by the Fund. Improvements have been made only to the land purchased for the purpose of change of designation. On 16 December 2009 the Ministry Council accepted the long-awaited change in the General Urban Development Plan of Sofia, changing the statute of the land in Kambanite area from agricultural land to residential land with long-term perspective. The Group has to develop infrastructure of this property for its development before 2020.

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

As of 31 December 2009 the accrued receivables from rental agreements amount to 3,749 thousand BGN. As of the present report's preparation date 2,231 thousand BGN have been paid to the Fund. The receipts have increased during the first months of 2010 and as of 16 April 2010 the share of uncollected receivables from rental agreements is 23.6% from the total accrued revenues from rental agreements as of 31 December 2009. Currently these receivables continue to be paid to the Fund, which gives a reason to believe that the share of uncollected receivables to the total amount of receivables will continue to decrease.

8. Current levels of indicators in compliance with Appendix 11 to Regulation No 2 of the Financial Supervision Commission

- **Equity structure of the Fund**

As of 31 December 2009 the Fund has issued a total of 59,715,885 ordinary dematerialized shares with par value of BGN 1. The Fund's equity has been increased three times from BGN 500,000 to its current amount. Total equity together with premium reserves from issues as of 31 December 2009 amounts to about BGN 73.2 million.

The following table presents the Fund's capital structure from its establishment until 31 December 2009:

Capital structure in thousand BGN	2009	2008	2007	2006	2005
Share capital upon establishment	0	0	0	0	500
Share capital increase	0	0	0	39, 784	19,432
Share premium	0	0	0	9,946	3,507
Total share capital and premium	**73,169**	**73,169**	**73,169**	**73,169**	**23,439**

Elarg Agricultural Land Opportunity Fund REIT has issued an emission of corporate bonds for the amount of EUR 10 million.

- **Restrictions on the transfer of securities, such as restrictions on the ownership of securities or necessity of obtaining an approval by the Company or by another shareholder**

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

- **Information about direct and indirect ownership of 5 per cent or more of the voting rights at the General shareholders' meeting**

Shareholder	Number of shares	Relative share
QVT FUND LLP	29,560,880	49.50%
ALLIANZ BULGARIA	9,934,924	16.64%
CREDIT SUISSE SECURITIES	5,607,298	9,40%

** Information as of 31 December 2009 from Central Depository AD*

- **Information on shareholders with special control rights and description of these rights**

As of the current moment there are no shareholders with special control rights.

- **Control system for exercising vote rights in cases when the Fund's employees are its shareholders and when control is not exercised directly by them**

The Fund does not have a specific control system for exercising vote rights in cases when Fund's employees are its shareholders.

- **Restrictions on vote rights, such as restrictions on vote rights of shareholders with a specific percentage or number of votes, deadlines for exercising vote rights or systems which, with the Fund's cooperation enable financial rights and ownership of shares to be treated separately**

The Fund's Statute does not include such restrictions.

- **Agreements between shareholders that are known to the Fund and that can lead to restrictions in transferring shares or vote rights**

The Fund is not aware of agreements between shareholders that can lead to restrictions in transfers of shares and vote rights.

- **Rules on appointing and dismissing members of the Fund's managing bodies and on amending and expanding the Statute**

In accordance with article 39 of the Fund's Statute the Board of directors is elected by the General shareholders' meeting for a period of 5 (five) years while the members of the first Board of directors were elected for a period of 3 (three) years. The members of the Board of directors can be reelected without restrictions and after the end of the mandate they continue to perform their functions until the election of a new Board of directors by the General shareholders' meeting. The Fund's Statute sets the Board of directors' members as follows: three to nine private individuals and/or legal entities that can be changed by the General shareholders' meeting at any time. Currently, the Board of directors includes 5 persons, all of which are independent. In compliance with article 40, paragraph 5 of the Fund's Statute, the term "independent" (which is also in compliance with article 116a, paragraph 2 of the Public Offering of Securities Act) means that the specific member of the Board of directors: is not an employee of the Fund; does not own directly or through related parties 25% or more of the vote rights at the General shareholders' meeting and is not a member of a managing body, procurator or an employee of a legal entity that owns such an amount of vote rights; is not a related party to the Fund; has not entered into long-term trade agreements with the Fund and is not a member of a managing body, procurator or employee of a legal entity that has entered into such agreements with the Fund; is not a related party to another member of the Board of directors.

The provision of article 37, paragraph 2 in relation to article 31, paragraph 1, point 4 of the Fund's Statute requires a greater majority than the legislatively determined for the purpose of election and dismissal of members of the Board of directors. In compliance with article 230 of the Commercial Act an ordinary majority of the represented shares is enough for the election and dismissal of members of the Board of directors while the Fund's Statute requires a majority of ¾ of the represented shares. In accordance with article 31, paragraph 1 of the Fund's Statute, amendments and addendums to the

Fund's Statute are made by the General shareholders' meeting.

- **Authority of the Company's managing bodies, including the right to take decisions for issue and redemption of Company's shares**

On the basis of article 196, paragraph 1 and article 204, paragraph 3 of the Commercial Act and in compliance with the new amendment accepted by the General shareholders' meeting, held on 22 May 2009 to articles 43 and 44 of the Company's Statute, the Board of directors has been empowered for a 5-year term commencing from the entry of the change into the Court's Commercial Register (which is from June 2009) to accept decisions for capital increase of up to BGN 500,000,000 through issue of new ordinary or preferred shares including those with fixed or guaranteed dividend and/or with preferred reacquisition and/or with option for converting to ordinary shares. In all cases of emission of new regular shares, the emission value of one stock cannot be lower than the lesser value amongst the accounting value and the net value of the assets of one share of capital reported in the last quarter financial statement. In all cases of emission of convertible or replaceable shares, the converting/replacement price has to be at least 50% higher than the lower value amongst the accounting value and the net value of the assets of one share of capital of the Company, reported in the last quarter financial statements.

In accordance with the change of Art. 44 made by the General shareholders' meeting on 22 May 2009, in 5 years from registering the change of the Statute in the Trade Register, the Board of Directors can accept decisions for issuing bonds in BGN, Euro or other currency in a total amount of the bond issue up to 500,000,000 BGN, if there is a developed and accepted detailed plan for repayment of the principal and the interest of the issue.

Regardless of the previous, 5 years after the Statute amendment is registered the Board of Directors can accept decisions for issuing bonds, which can be converted to ordinary or can be exchanged for ordinary shares (convertible or exchangeable bonds) for total amount of the bond issue up to 500,000,000 BGN. In all cases of emission of convertible or replaceable shares, the converting/replacement price has to be at least 50% higher than the lower value amongst the accounting value and the net value of the assets of one share of capital of the Company, reported in the last quarter financial statements.

During a capital increase through issue of new shares, excluding the initial mandatory increase of capital, each shareholder has the right to acquire part of the new shares proportional to their share of the capital before the increase. This right may not be restricted or deprived in accordance with article 194, paragraph 4 and article 196, paragraph 3 of the Commercial Act. During a capital increase through issue of new shares, rights in accordance with §1, Item 3 of the Public Offering of Securities Act are issued, with one right per one existing share. The ratio between issued rights and new shares is specified in the decision for the capital increase.

The Company's capital may be reduced through cancellation of redeemed shares issued with a buy-back preference. The Company may issue such shares in accordance with articles 15 and 16 of the Statute. The share capital may not be reduced through compulsory buy-back of shares or through buy-back according to article 111, paragraph 5 of the Public Offering of Securities Act.

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

The Fund has not concluded agreements that cause action, undergo change or are terminated as a result of a change in the control of the Company when a mandatory tender offer is submitted.

- **Agreements between the Fund and its managing bodies or employees for the payment of compensation upon resignation or dismissal with no legal grounds or upon termination of their contracts for reasons connected with a tender offer**

There are no provisions in the management contracts of the Board of directors' members regarding payment of compensation upon resignation or dismissal with no legal grounds or upon termination of their contracts for reasons connected with a tender offer.

9. Activities in relation with the fulfillment of the legislation requirements and in view of the protection of investors' interests

1. Insurance of acquired real estate in compliance with the provision of article 17, paragraph 2 of the Special Investment Purpose Companies Act. At the present time insurance of agricultural land is not offered by any insurance company, of which the Financial Supervision Commission has been informed in a timely manner.

2. The Fund has signed contracts with servicing companies in compliance with the provision of article 18, paragraph 2 of the Special Investment Purpose Companies Act (See 1.2 above)

3. Selection of an expert evaluator in compliance with the provision of articles 19 and 20 of the Special Investment Purpose Companies Act.

Up to now the fund has signed contracts with independent expert evaluators that have revaluated the acquired investment property for 2010 in compliance with article 19 of the Special Investment Purpose Companies Act. (See 1.2 above).

4. Disclosure requirements have been met – quarterly financial statements have been presented in a timely manner to the Financial Supervision Commission and Bulgarian Stock Exchange.

5. The auditor for 2009 selected at the last General shareholders' meeting held on 22 May 2010 was Grant Thornton OOD, with registered office and principal place of activity at 54 William Gladstone St, Floor 3, Sofia 1000, entered in the registers of Sofia City Court under company case No 9558/1995, UIN 831716285, preregistered as of 15 August 2008 in the Commercial Register of the Registry Agency to the Ministry of Justice with UIN 831716285, represented by Mariy Georgiev Apostolov – Manager. Grant Thornton is a member of the Institute of Certified Public Accountants (ICPA). Grant Thornton is under registration number 32 in the ICPA's registered audit companies list.

6. For the previous years Elarg Agricultural Land Opportunity Fund REIT's auditor has

been Grant Thornton OOD, and for the previous years - Deloitte Audit OOD

10. Information in accordance with articles 247 and 187e of the Commercial Act

- In compliance with article 247 of the Commercial Act and article 114b, paragraph 1 of the Public Offering of Securities Act, the Board of directors' members disclose the following information:

In compliance with article 114b of the Public Offering of Securities Act the members of the Board of directors of Elarg Agricultural Land Opportunity Fund REIT disclose information regarding:

a) entities in which they control directly or indirectly more than 25 per cent of the votes at the general shareholders' meeting or over which they exert control.

STOYAN LYUBOMIROV MALKOCHEV – Member of the Board of Directors of the Fund, controls directly or indirectly more than 25 per cent of the votes at the general shareholders' meeting or exerts control over the following entities:
1. Odessos Consult EOOD directly 100%;
2. CashOffice AD indirectly 25%, through Odessos Consult EOOD;

VASIL IVANOV VASILEV – Member of the Board of Directors, controls directly or indirectly more than 25 per cent of the votes at the general shareholders' meeting or exerts control over the following entities:
1. Agro Master EOOD – directly 100%;
2. Vemi – Semena i Rastitelna Zashtita EOOD – directly 100%;

ANDREY VALERIEVICH KRUGLYKHIN - Member of the Board of Directors and Executive Director, controls directly or indirectly more than 25 per cent of the votes at the general shareholders' meeting or exerts control over the following entities:
1. Teren EOOD, directly 100%

The rest of the members of the Board of directors declare that they do not control directly or indirectly more than 25 per cent of the votes at the General shareholders' meeting and do not exert control over other entities.

b) entities in whose managing or supervisory bodies they participate or represent

The Board of directors' members declare that as of the present report's preparation date they participate in managing and supervisory bodies as follows:

STEFAN GEORGIEV STEFANOV – Member of the Board of directors; participates in the management of:
1. Bulgaria Net AD, as an Executive Director and Deputy Chairman of the Board of Directors.
2. Allianz Bank Bulgaria – manager and member of audit committees of companies within Allianz Group.

VASIL IVANOV VASILEV – member of the Board of Directors; participates in the management of:
1. Agro Master EOOD as a sole owner and Manager;
2. Vemi – Semena i Rastitelna Zashtita EOOD, as a sole owner and Manager.

STOYAN LYUBOMIROV MALKOCHEV – Member of the Board of Directors; participates in the management of:
1. Teren EOOD, as Manager.

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

- Information disclosed in accordance with article 114b of the Public Offering of Securities Act by the parties who directly or indirectly control at least 25 per cent of the votes at the General shareholders' meeting of Elarg Agricultural Land Opportunity Fund REIT or exert control over the Fund.

As of the present report's preparation date the only shareholder who controlled more than 25% of the votes at the General shareholders' meeting was QVT Fund LP owning 49.50% of all shares, resp. votes at the General meeting.

- The Board of Directors' members declare that they have no knowledge of present or future transactions for which they can be considered related parties.

- In compliance with article 187e of the Commercial Act the Board of Directors declares that the Fund has not acquired own shares during the year.

11. Information about the application of internationally accepted standards for good corporate governance practices

For the execution of the requirements of article 94, paragraph 2, item 3 of the Public Offering of Securities Act about the creation and implementation of the internationally accepted standards of good corporate governance, in 2005 the Board of Directors approved a Program for the Implementation of the Internationally Accepted Standards of Good Corporate Governance. This Program is strictly adhered to by Elarg Agricultural Land Opportunity Fund REIT. The Board of Directors accepts a new Good Corporate Management Program on 29 March 2009. The control for abiding by the rules of the program, guaranteeing the good management of the Group's investments, is done by the Board of Directors of the Audit Committee.

12. Significant events occurred between 31 December 2009 and the annual closing of the accounts

Elarg Agricultural Land Opportunity Fund REIT has not acquired arable agricultural land during the first quarter of 2010. This was dictated by the uncertainty of the real estate market as a result of the financial crisis. The Fund's management does not expect to acquire agricultural land in 2010.

- On 10 February 2009 has come in a request from Stoian Lubomirov Malkochev, a member of the Board of Directors and Executive Director of Elarg Agricultural Land Opportunity Fund REIT, on the grounds of Art. 233, from the Commercial Act, to be dismissed as an Executive Director and as a member of the Board of Directors.
- By decision from the Board of Directors from 11 February 2010, as a sole owner of the capital of Elarg Agro EOOD, it is decided the capital of Elarg Agro EOOD

to be increased from BGN 5 thousand to BGN 50 thousand. Along with this, the registered office and principal place of business of the Company is changed to Sofia, bul. Nikola Vaptsarov 16.

- By decision from the Board of Directors from 12.02.2010, Stoian Lubomirov Malkochev is dismissed as an Executive Director, and is replaced by Andrey Valerievich Kruglykhin. The decision made by the Board of Directors is recorded at the Registry Agency by the Ministry of Justice.

13. Future development of the Fund and its subsidiaries in 2010

Elarg Agricultural Land Opportunity Fund REIT does not plan to acquire new arable land in 2010 in exchange for a payment, only in exchange for those in a low priority territories. The Fund also plans to sell its agricultural land for change of designation in 2010.

With a view to the above, the subsidiaries will have as a main objective to to help the investment policy followed by the Group, as they actively participate in the portfolio management process of Elarg Agricultural Land Opportunity Fund REIT.

14. Changes in Company's share price

During the reporting period the Company's share price varied between BGN 0,70 and BGN 1.00. As of the present report's date the Company's shares were traded at price levels of BGN 0.67. For the period from the Fund's establishment until the end of 2007 the share price has increased steadily. From the beginning of 2008 as a consequence of the world financial crisis and investors' broken trust towards the management of public companies the Fund's shares suffered almost 75% drop in their market price. Application of more conservative principles for the selection of assets as well as subsequent revaluations and increase in rents would eventually result in the reversal of the trend from negative to positive.

Elarg Agricultural Land Opportunity Fund REIT

Veselin Danev
Sofia, 30 April 2010

Consolidated Statement of financial position

ASSETS	Note	2009	2008	2007
		BGN '000	BGN '000	BGN '000
Non-current				
Investment property	*5*	64,249	62,842	77,896
Intangible assets	*6*	66	2	6
Plant and equipment	*7*	82	18	40
Non-current assets		**64,397**	**62,862**	**77,942**
Current				
Inventories	*9*	970	-	-
Trade receivables	*10*	2,461	1,418	216
Advance payments	*11*	31	622	707
Tax receivables	*12*	255	-	-
Other receivables	*13*	458	25	59
Cash and cash equivalents	*14*	3,372	5,456	10,600
Current assets		**7,547**	**7,521**	**11,582**
Assets and disposal groups, classified as held for sale	*15*	17,593	21,485	-
TOTAL ASSETS		**89,537**	**91,868**	**89,524**

Prepared by: ____________________ **Executive Director:** __________________

/ATA Consult OOD/ **/ELARG Agricultural Land Opportunity Fund REIT/**

Date: 30.04.2010

Audited according to the auditor's report: _____________________

/ Mariana Mihaylova, PhD /

The accompanying notes from page 40 to page 79 are an integral part of these consolidated financial statements.

Consolidated statement of financial position (continued)

EQUITY AND LIABILITIES	Note	2009 BGN '000	2008 BGN '000	2007 BGN '000
Equity				
Share capital	*16.2*	59,716	59,716	59,716
Share premium	*16.2*	13,453	13,453	13,453
Accumulated loss		(5,352)	(2,193)	(6,424)
Total equity		**67,817**	**70,976**	**66,745**
Liabilities				
Non-current				
Debenture loans	*18*	-	19,558	19,558
Finance lease liabilities	*8.1*	19	5	10
Non-current liabilities		**19**	**19,563**	**19,568**
Current				
Employee obligations	*17.2*	27	25	56
Debenture loans	*18*	19,558	-	-
Interest on debenture loans	*18*	561	563	561
Finance lease liabilities	*8.1*	9	5	5
Trade liabilities	*19*	1,439	722	2,588
Tax liabilities	*20*	2	-	1
Other Liabilities		13	6	-
Advance payments received under rental contracts	*21*	92	8	-
Current liabilities		**21,701**	**1,329**	**3,211**
Total liabilities		**21,720**	**20,892**	**22,779**
Total equity and liabilities		**89,537**	**91,868**	**89,524**

Prepared by: ____________________
/ATA Consult OOD/

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

Date: 30.04.2010

Audited according to the auditor's report: ____________________

/ Mariana Mihaylova, PhD /

The accompanying notes from page 40 to page 79 are an integral part of these consolidated financial statements.

Consolidated Statement of comprehensive income

	Note	2009 BGN '000	2008 BGN '000
Rental revenue from investment property	*22*	3,963	3,318
Other income		3	69
Cost of materials	*24*	(533)	(13)
Hired services expenses	*25*	(2,441)	(4,025)
Employee benefits expenses	*17.2*	(210)	(165)
Depreciation and amortization of non-financial assets	*6.7*	(30)	(27)
Gains from sale of non-current assets	*23*	15	6,447
Other expenses, net	*26*	(3,692)	(22)
Changes in inventories and unfinished production		892	-
Operating profit / (loss)		**(2,033)**	**5,582**
Finance costs	*27*	(1,369)	(1,564)
Finance income	*27*	243	213
Profit / loss before tax		**(3,159)**	**4,231**
Income tax expense	*28*	-	-
Profit /(loss) for the year		**(3,159)**	**4,231**
Other comprehensive income for the year, net of taxes		-	-
Total comprehensive income for the year		**(3,159)**	**4,231**
Earnings / (loss) per share:		**BGN**	**BGN**
Basic earnings per share:			
Profit / (loss)	29	(0.053)	0.071

Prepared by: ____________________ **Executive Director:** __________________

/ATA Consult OOD/ **/ELARG Agricultural Land Opportunity Fund REIT/**

Date: 30.04.2010

Audited according to the auditor's report: _____________________

/ Mariana Mihaylova, PhD /

The accompanying notes from page 40 to page 79 are an integral part of these consolidated financial statements.

Consolidated Statement of changes in equity

All amounts are presented in BGN '000	**Share capital**	**Share premium**	**Accumulated losses**	**Total equity**
Balance at 1 January 2009	**59,716**	**13,453**	**(2,193)**	**70,976**
Loss for the year	-	-	(3,159)	(3,159)
Other comprehensive income for the year, net of taxes	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**(3,159)**	**(3,159)**
Balance at 31 December 2009	**59,716**	**13,453**	**(5,352)**	**67,817**

All amounts are presented in BGN '000	**Share capital**	**Share premium**	**Accumulated losses**	**Total equity**
Balance at 1 January 2008	**59,716**	**13,453**	**(6,424)**	**66,745**
Profit for the year	-	-	4,231	4,231
Other comprehensive income for the year, net of taxes	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**4,231**	**4,231**
Balance at 31 December 2008	**59,716**	**13,453**	**(2,193)**	**70,976**

Prepared by: ____________________ **Executive Director: _________________**
/ATA Consult OOD/ **/ELARG Agricultural Land Opportunity Fund REIT/**

Date: 30.04.2010

Audited according to the auditor's report: **_____________________**

/ Mariana Mihaylova, PhD /

The accompanying notes from page 40 to page 79 are an integral part of these consolidated financial statements.

Consolidated Statement of cash flows

	Note	2009 BGN '000	2008 BGN '000
Operating activities			
Cash flows from customers - property leases		2,570	2,115
Cash paid to suppliers		(2,909)	(5,212)
Cash paid to employees and social security institutions		(186)	(201)
Taxes paid/remitted		(98)	(100)
Interest received		22	239
Other proceeds/(payments) for operating activities		14	(19)
Net cash flow from operating activities		**(387)**	**(3,178)**
Investing activities			
Purchase of investment property	*5*	(316)	(15,157)
Proceeds from sale of investments	*5*	23	14,586
Purchase of property, plant and equipment	*7*	(53)	(1)
Purchase of intangible assets	*6*	(78)	-
Net cash flows from investing activities		**(424)**	**(572)**
Financing activities			
Proceeds from loans		-	7,823
Repayment of loans		-	(7,823)
Finance lease interest paid		(2)	(1)
Interest paid		(1,271)	(1,393)
Net cash flows from financing activities		**(1,273)**	**(1,394)**
Net change in cash and cash equivalents		**(2,084)**	**(5,144)**
Cash and cash equivalents, beginning of year		5,456	10,600
Cash and cash equivalents, end of year	**14**	**3,372**	**5,456**

Prepared by: ____________________
/ATA Consult OOD/

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

Date: 30.04.2010

Audited according to the auditor's report: ______________________

/ Mariana Mihaylova, PhD /

The accompanying notes from page 40 to page 79 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. General information about the economic group ELARG AGRICULTURAL LAND OPPORTUNITY FUND REIT

1.1. Parent-Company

1.1.1. Principal activity

The principal activity of the companies in the Group includes investment of cash funds raised through public offering of shares; acquisition and investment in real estate through purchase of right of property and other real 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 Parent-Company's registered office and principal place of activity is Sofia, bul. James Baucher 95-97, fl.1 and its mailing address is 49 Bulgaria Blvd., bul. Nikola Vaptsarov 16, Floor 5, Sofia 1407.

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

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

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

A change was made in the composition of the Board of Directors at the General shareholders' meeting held on 22 May 2009 and now consists of the following members:

Ivo Stanev Gadev, Member of the Board of Directors
Andrei Valerievich Kruglykhin, Member of the Board of Directors;
Stefan Georgiev Stefanov , Chairman of the Board of Directors;
Vasil Ivanov Vasilev, Member of the Board of Directors;
Stoyan Lyubomirov Malkochev, Member of the Board of Directors

As of 31 December 2009 the Parent-Company is represented by Stoian Lyubomirov Malkochev.

As of 31 December 2009 the Company has issued shares amounting to BGN 59,715,885.

1.1.2. 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 amount of equity.

Investment restrictions
Elarg Agricultural Land Opportunity Fund REIT acquires solely agricultural land and does not securitize other types of real estate. In compliance with the provisions of the Special Investment Purpose Companies Act the 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 Company also may not acquire real rights over real estate that is subject to legal disputes. In compliance with the Special Investment Purpose Companies Act the temporarily available cash funds may be invested only in:

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

In compliance with the Special Investment Purpose Companies Act the 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 the Board of directors' proposal for an amendment in the 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.

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

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

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

Subsidiaries are established in June 2009.

The representation of the information for 2008 and 2007 in the Consolidated financial statements includes only data for the Parent-Company.

1.1.1. 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-owner limited liability company in the Commercial Register of the Registry Agency with UIN 200741485.

The Company's registered office and principal place of business: Sofia, Lozenets District, 95-97 James Baucher str, fl.1.

The Company has a capital of BGN 5,000 distributed in 100 shares of BGN 50.

1.1.2. ELARG WIND EOOD

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

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

The Company's registered office and principal place of business: Sofia, Lozenets District, 95-97 James Baucher str, fl.1.

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 of the above mentioned project.

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 investments in subsidiaries presended in accordance with IAS 27 "Consolidated and Separate Financial Statements"

As of 31 December 2009 the Consolidated financial statements are approved and accepted from the Board of Directors on 30 April 2010.

3. Changes in accounting policy

3.1. Overall consideration

The Group has adopted the following Standards, ammendments, and interpretation to IFRS issued and published by the International Accounting Standards Board (IASB) which have an effect over the Consolidated financial statements of the Comopany and are mandatory for application for the yearly statement, beginning on 1 January 2009.

- IFRS 1 "First-time Adoption of International Financial Reporting Standards" (amended)
- IFRS 2 "Share-based Payment" (revised 2007)
- IFRS 8 "Operating Segments"
- IAS 1 "Presentation of Financial Statements" (revised 2007)
- IAS 23 "Borrowing Costs" (revised 2007)
- IAS 27 "Consolidated and Separate Financial Statements" (amended)
- IAS 32 "Financial Instruments: Presentation" (amended)
- IAS 39 "Financial Instruments: Recognition and Measurement" (amended)
- IFRIC 12 "Service Concession Arrangements"
- IFRIC 13 "Customer Loyalty Programmes"
- IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"
- IFRIC 15 "Agreements for the Construction of Real Estate"
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"
- "Annual Improvements to IFRSs 2008". The greater part of these amendments will be effective for annual periods beginning on or after 1 January 2009.
- IFRS 4 "Insurance Contracts" (amended)
- IFRS 7 "Financial Instruments: Disclosures" (amended)
- IFRIC 9 "Reassessment of Embedded Derivatives" (amended)

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

The application of IAS 1 "First-time application of the International Financial Reporting Standards" (revised in 2007) leads to some changes in the format, titles and presentation of some items in the Consolidated financial statements, which is also related to the additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. However, some items that were recognized directly in equity are now recognized in other comprehensive income, for example revaluation of property, plant and equipment. IAS 1 "Presentation of Financial Statements" (revised 2007) affects the presentation of owner changes in equity and introduces a consolidated statement of comprehensive income.

The amendments of IFRS 7 "Financial Instruments: Disclosures" require additional disclosures for financial instruments that are measured at fair value in the consolidated statement of financial position. These fair value measurements are categorized into a three-level fair value hierarchy, which reflects the extent to which they are based on observable market data. A separate quantitative maturity analysis must be presented for derivative financial liabilities that shows the remaining contractual maturities, where these are essential for an understanding of the timing of cash flows. The Group has taken advantage of the transitional provisions in the amendments and has not provided comparative information in respect of the new requirements.

Information about Standards, amendments and Interpretations which are not expected to have an impact on the Consolidated financial statements of the Company are presented below:

- IFRS 8 "Operating segments", effective for annual periods beginning on or after 1 January 2009. IFRS 8 replaces IAS 14 "Segment reporting" and requires that the accounting policy for identifying segments to be based on internal management reporting information.
- IFRS 2 (Revised) "Share-based Payment", effective for annual periods beginning on or after 1 January 2009. Company management does not, nor intends to pay employee remuneration in the form of shares or shares purchase options;
- IAS 32 (Revised) "Financial Instruments: Presentation" and respective amendments to IAS 1 "Presentation of Financial Statements", effective for annual periods beginning on or after 1 January 2009. These amendments are not applicable for the Company, because it does not own instruments with a right to return;
- IFRIC 13 "Customer Loyalty Programmes", effective for annual periods beginning on or after 1 January 2008. The Company does not have customer loyalty programmes.
- IFRIC 15 "Agreements for the Construction of Real Estate", effective for annual periods beginning on or after 1 January 2009. The Company has not, nor does it plan to enter into agreements for the construction of real estate;
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation", effective for annual periods beginning on or after 1 October 2008. The Company does not perform hedging of net investments in foreign operations;

3.2. Standards and Interpretations not yet applied by the Company

At the date of approval 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 Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement and will not be subject to an early adoption.

Information on new standards, amendments and interpretations that are expected to have an impact on the Group's financial statements is provided below. Published are also other new standards and interpretations but they are not expected to have a significant impact on the Consolidated financial statements.

IFRS 3 (Revised) "Business Combinations" (revised 2008) (in effect from 1 July 2009)
The Standard is applicable for business combinations occurring in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new Standard implements changes for the accounting of business combinations, but still keeps the requirement for the purchase method and will have a significant impact on the reporting of business combinations completed during reporting periods beginning on or after 1 July 2009.

IAS 27 – "Consolidated and Separatel Financial Statements" (revised 2008) (effective from 1 July 2009)
The revised standard introduses changes in the requirements for accounting requirement of a loss of control of a subsidiary and of changes in shares of the Group`s interest in subsidiaries. These changes will be applied prospectively in accordance with the transitional provisions and therefore do not have an immediate effect on the current Consolidated financial statements of the Company.

IFRIC 17 "Distribution of Non-cash Assets to the Owners" (effective from July 1, 2009).
The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.

IFRIC 18 "Transfer of Assets from Customers" (effective from July 1, 2009).
The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognize the asset at its fair value on the date of the transfer, with the credit recognized as revenue in accordance with IAS 18 "Revenue".

4. Accounting policy

4.1. Overall considerations

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

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

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

4.2. Presentation of the Consolidated financial statements

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

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

In 2009 there are presented two comparable periods, because of the application of IAS 1 "Presentation of Financial Statements" (revised 2007): For the Statement of financial position as of 31 December 2009 (including the comparable information as of 31 December 2008 and 31 December 2007)

4.3. Bases for consolidation

In the financial statements of the Group are Consolidated the financial statements of the Parent-Company and all subsidiaries as of 31 December 2009. 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 2009.

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 imairment as from the Group's point of view. The amounts presented in the financial statements of the subsidiaries are ajusted as necessary in order to provide correspondence 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

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions (spot exchange rate as published by the Bulgarian National Bank). Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of remaining balances at year-end exchange rates are recognized in the profit or loss.

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

4.5. Revenues

Revenue comprises revenue from the sale of goods and the rendering of services.

Revenues from main services are presented in Notes 22 and 23.

Revenues are measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and rebates, provided by the Company.

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

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

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 revenues

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

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 inccured.

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. Intangible assets

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

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

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 of performance; and this expenditure can be measured and attributed to the asset reliably. If these two conditions are met, the subsequent expenditure is added to the cost of the intangible asset.

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

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

- software 2 years

Amortization has been included within "depreciation and amortization of non-financial assets" row in the Income statement.

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

4.9. Plant and equipment

Plant and equipment are initially carried at cost, including the price of acquisition and any costs directly attributable to the acquisition of assets.

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

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

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

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

Plant and equipment are depreciated based on their expected useful life determined by reference to comparable assets or based on the period of the lease contract, if shorter.

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

Category of asset	Estimated useful life
Plant and equipment	3.33 years
Vehicles	4 years
Agriculture equipment	6.67 years
Computer equipment	2 years
Others	6.67 years

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

Depreciation costs are included in the Consolidated income statement on the “Depreciation 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” (rev 2007), 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.

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.

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 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, Company'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 company's impairment testing procedures are directly linked to the Company'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 Company management.

Impairment losses for cash-generating units reduce the carrying amount of assets comprising the cash-generating unit in proportion to their carrying amounts. Company 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 Company invests consist of agricultural land, which is held for rental income by the acquisition cost model.

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

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

Subsequent costs related to investment property already recognized in the Company'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” and “Hired services expenses” respectively and are recognized as it is described in Notes 4.5 and 4.6.

4.13. Financial instruments

All financial assets and liabilities are recognized when the Company 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 Income Statement or in the other comprehensive income of the Company. All financial assets with the exception of those estimated by their fair value in the Income statement are a subject of an impairment test as of the date of the financial statements. The financial assets are discounted when there is an objective evidence for this. Different criteria are applied in the estimation of the impairment loss depending on the category of financial assets as it is shown below.

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

Loans and receivables

Loans and receivables that arise initially in the Company 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 Company'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.

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 an 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 income statement as "Other expenses".

4.13.2. Financial liabilities

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

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

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

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

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

4.14. Income tax

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

4.15. Cash and cash equivalents

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

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 depreciation loss up to their net realizable value is recognized as an expense for the depreciation period.

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

During a sale of inventories, their carrying amount is recognized as an expense in the period in which the respondent revenue is recognized.

4.17. Non-current assets classified as held for sale

When the company plans to sale a non-current asset or a group of assets (group for release) and if the sale is most likely to occur in a 12-month period, the asset or the group for release, are presented separately in the 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 decreased with the costs associated with their 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 Company is determined using the nominal value of shares that have been issued.

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

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 Company is obliged to pay compensation for the amount of six gross wages.

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

The short-term incomes of employees, including unutilized paid leaves, are included in the current liabilities as “Employee obligations” by their undiscounted value, which the Company expects to pay.

4.20. Provisions, contingent liabilities, and contingent assets

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. 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 outcomming cash flow for the payment of the obligation is estimated by estimation of the group of liabilities as a whole. Provisions are discounted to their present values, where the time value of money is material.

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

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

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

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

4.21. Significant management judgment in applying accounting policies

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

4.21.1. Revenues

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 agreement's expiry date and are of 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 weather the contract is a finance lease, in which all significant risks and rewards from the possession of the asset are transferred to the leaseholder.

4.21.3. Pending litigations, administrative or arbitration proceedings

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 subsidiaries are not a part of any proceedings.

	Type of legal proceedings	Number	Amount of the potential loss for the Fund	Amount recovered	Remaining amount to be recovered
1	Settlements against the Fund which are concluded with the suspension of the Fund from the property.	5	28,984	-	28,984
2	Pending cases for which the Fund is a respondent and related proceedings for recovery of amounts paid for property from which the Fund may be suspended.	4	33,616	-	33,616
3	Executive court cases on the basis of issued receiving orders on promissory notes payable to the Fund	10	584,806	13,426	571,380
	Pending cases for which the Fund is a plaintiff	1	3,500	-	3,500
4	Settlements for which the Fund has been a plaintiff	1	3,989	-	3,989

4.22. Estimation uncestainty

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 Company'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 2009 the Company has suffered impairment losses for a total of 3,293 thousand BGN, including assets held for sale for 2,770 thousand BGN, and current assets – receivables for 523 thousand BGN, in order to decrease their carrying value to their recoverable value.

4.22.2. Useful life of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date. At 31 December 2009 management assesses that the useful lives represent the expected utility of the assets to the Company. The carrying amounts are analyzed in notes 6 and 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 company is currently a defendant on a few court proceedings that may lead to liabilities for amount different than the amount of the recognized in the Consolidated financial statements provisions. The provisions will not be considered further here in order to prevent prejudice related to the Company's position on the mentioned disputes.

5. Investment property

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

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

Total investment property	**Carrying amount BGN '000**
Balance at 1 January 2009	**62,842**
Additions in 2009:	14
- by exchanges	14
Investment properties reclassified in 2009 (Wind park Vetrino) from Assets held for sale	1,438
Disposals in 2009	(45)
Balance at 31 December 2009	**64,249**

Total investment property	Carrying amount BGN ’000
Balance at 1 January 2008	77,896
Additions in 2008:	15,157
- by acquisition	15,157
Transferred items to Assets held for sale	(8,726)
Disposals in 2008	(21,485)
Balance at 31 December 2008	**62,842**

Total investment property	Carrying amount BGN ’000
Balance at 1 January 2007	45,108
Additions in 2007:	33,388
- by acquisition	33,388
Disposals in 2007	(600)
Balance at 31 December 2007	**77,896**

As of 31 December 2009, the properties owned by the Group amount to 64,249 thousand BGN.

Total investment property	Area in decares	Acquisition amount BGN ’000	Carrying amount BGN ’000
Balance at 31 December 2008	**291,971**	**62,842**	**62,842**
Additions in 2009	68	14	14
Investment properties reclassified in 2008 (Wind park Vetrino)	1,200	1,438	1,438
Disposals in 2009	(205)	(45)	(45)
Balance at 31 December 2009	**293,034**	**64,249**	**64,249**

In December 2008 the Group has signed a contract with “Hidroelectric Bulgari” OOD, part of the group of “Electricite De France” for the sale of 1,200 decares designated as a “Wind Park Vetrino” project, on which after the respective measurements and receiving the necessary documents to be developed wind park with a power capacity between 30 and 50 MW. According to the contractual terms, the transaction had to be finalized by the end of 2009.

In 2009 the mentioned contract was terminated, which lead to the reclassification of the property from an asset held for sale to an investment property.

Investment properties are not pledged as a collateral on a loans.

In compliance with the provisions of article 20 of the Companies with Special Investment Purpose Act the Parent-Company has assigned the owned agricultural land evaluation as at 31 December 2009 to licenced evaluators from Values and Partnership OOD. Fair market value at the end of 2009 determined by the evaluators amounted to 91,778 thousand BGN. The Company has adopted a more prudent and conservative revaluation method subsequent to initial recognition of investment property, as a result of which the investment properties are presented at their aquisition value in the present financial statements.

The rent revenues for 2009 amount to 3,963 ehousand BGN (2008: 3,318 thousand BGN) and are included in the Comprehensive income statement on the “Revenues” row. Conditional rents are not recognized. The direct operating expenses for the amount of 59 thousand BGN are shown in the “Hired services expenses” row (2008: 81 T BGN) which refer to fees and commissions on rent arrangements.

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6. Intangible assets

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

	Software BGN ’000	Purchasing costs of intangible assets BGN ’000	Total BGN ’000
Gross carrying amount			
Balance at 1 January 2009	10	-	10
Additions, purchased	13	65	78
Transferred from expenses for purchasing of intangible assets	46	(46)	-
Balance at 31 December 2009	**69**	**19**	**88**
Amortization and impairment			
Balance at 1 January 2009	(8)	-	(8)
Amortization	(14)	-	(14)
Balance at 31 December 2009	**(22)**	**-**	**(22)**
Gross carrying amount at 31 December 2009	**47**	**19**	**66**

	Software BGN ’000	Purchasing costs of intangible assets BGN ’000	Total BGN ’000
Gross carrying amount			
Balance at 1 January 2008	10	-	10
Additions, purchased	-	-	-
Balance at 31 December 2008	**10**	**-**	**10**
Amortization and impairment			
Balance at 1 January 2008	(4)	-	(4)
Amortization	(4)	-	(4)
Balance at **31 December 2008**	**(8)**	**-**	**(8)**
Gross carrying amount at 31 December	**2**	**-**	**2**

2008

	Software	Purchasing costs of intangible assets	Total
	BGN '000	BGN '000	BGN '000
Gross carrying amount			
Balance at 1 January 2007	1	-	1
Additions, purchased	9	-	9
Balance at 31 December 2007	**10**	**-**	**10**
Amortisation and impairment			
Balance at 1 January 2007	-	-	-
Amortisation	(4)	-	(4)
Balance at 31 December 2007	**(4)**	**-**	**(4)**
Gross carrying amount at 31 December 2007	**6**	**-**	**6**

Intangible assets are tested for impairment in 2009 and was determined that no such indications exist.

All amortization costs are included in the Comprehensive income statement on the "Depresiation and amortization of non-financial assets" row.

7. Plant and equipment

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

The carrying amount can be analized as follows:

	Office Equipment	Agricultural inventory	Expenditures for acquisition of assets	Vehicles	Total
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Gross carrying amount					
Balance at 1 January 2009	51	5	-	24	80
Additions	9	9	17	46	81
Disposals	(28)	-	-	-	(28)
Balance at 31 December 2009	32	14	17	70	133
Depreciation and impairment					
Balance at 1 January 2009	(47)	(2)	-	(13)	(62)
Disposals	27	-	-	-	27
Accumulated depreciation	(5)	(2)	-	(9)	(16)
Balance at 31 December 2009	(25)	(4)	-	(22)	(51)
Gross carrying amount at 31 December 2009	**7**	**10**	**17**	**48**	**82**

	Office Equipment	Agricultural inventory	Acquisition costs of assets	Vehicles	Total
Gross carrying amount	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**
Balance at 1 January 2008	50	5	-	24	79
Additions	1	-	-	-	1
Balance at 31 December 2008	51	5	-	24	80
Depreciation and impairment					
Balance at 1 January 2008	(31)	(1)	-	(7)	(39)
Accumulated depreciation	(16)	(1)	-	(6)	(23)
Depreciation at 31 December 2008	(47)	(2)	-	(13)	(62)
Gross carrying amount at 31 December 2008	**4**	**3**	**-**	**11**	**18**

	Office Equipment	Agricultural inventory	Acquisition costs of assets	Vehicles	Total
Gross carrying amount	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**
Balance at 1 January 2007	36	4	-	24	64
Additions	14	1	-	-	15
Balance at 31 December 2007	**50**	**5**	**-**	**24**	**79**
Depreciation and impairment					
Balance at 1 January 2007	(12)	-	-	(1)	(13)
Accumulated depreciation	(19)	(1)	-	(6)	(26)
Depreciation at 31 December 2007	(31)	(1)	-	(7)	(39)
Gross carrying amount at 31 December 2007	**19**	**4**	**-**	**17**	**40**

All depreciation expenses are included in the Comprehensive income statement on the "Depreciation of non-financial assets" row.

The group has no offered properties, plant, and equipment as a collateral on a loan.

8. Lease

8.1.1. Finance lease

The Group has acquired under a finance lease agreement an automobile Skoda Fabia and Toyota Avensis. Their net carrying amount is 41 thousandBGN (2007: 11 thosand BGN, 2007: 17 thousand BGN). The assets are included under "vehicles" (see note 7).

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

	Minimum lease payments due		
	Within 1 year	1 to 5 years	Total
31 December 2009	BGN ’000	BGN ’000	BGN ’000
Lease payments	11	21	32
Finance charges	(2)	(2)	(4)
Net present value	**9**	**19**	**28**
31 December 2008			
Lease payments	6	5	11
Finance charges	(1)	-	(1)
Net present value	**5**	**5**	**10**
31 December 2007			
Lease payments	6	12	18
Finance charges	(1)	(2)	(3)
Net present value	**5**	**10**	**15**

The lease agreement includes fixed lease payments and a purchase option at the end of the fourth year of the lease term. The agreement is non-cancellable but does not contain any further restrictions. No contingent rents were recognized as income in the reporting periods under review, and no future sublease income is expected to be received as all assets are used exclusively by the Company.

8.1.2. Operating lease

Future minimum operating lease payments of the Company are as follows:

	Minimum lease payments due			
	Within 1 year	1 to 5 years	Over 5 years	Total
	BGN ’000	BGN ’000	BGN ’000	BGN ’000
As of 31 December 2009	38	54	-	92

The lease payments recognized as an expense during the period amount to 13 thousand BGN. This amount includes the minimum lease payments.

The minimum due operating lease payments include amounts under signed contracts for the rent of offices and warehouses.

9. Inventories

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

	2009	2008	2007
	BGN ’000	BGN ’000	BGN ’000
Raw materials	78	-	-
Unfinished production	892	-	-
Inventories	**970**	**-**	**-**

In 2009 a total of 5 thousand BGN from the inventories are reported as an expense in the profit or loss.

A commission from specialists within the Group has completed a review of the available inventories as of 31 December 2009 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 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 there is no impairment.

In the composition of the unfinished production are included as follows:
Cost of materials – 509 thousand BGN
Hired services expenses – 368 thousandT BGN
Employee benefits expenses – 15 thousand BGN
Acquisition of agricultural land expenses refer to the agricultural year 2009/2010. Sowed are 14,810 decares with wheat. The production of agricultural land is expected in July 2010.

None of the inventories are pledged as securities for liabilities.

10. Trade receivables

	2009 BGN ’000	2008 BGN ’000	2007 BGN ’000
Gross receivables under rental agreements, including:	2 785	1 418	207
Receivables under rental agreements for 2009/2010	942	-	-
Receivables under rental agreements for 2008/2009	1 519	768	-
Receivables under rental agreements for 2007/2008	324	650	207
Receivables from clients and suppliers	-	-	9
Impairment of receivables 2007/2008	(324)	-	-
Trade receivables	**2 461**	**1 418**	**216**

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

As of 30 September 2009 was made an impairment of receivables from tenant-clients, referring to the agricultural 2007/2008 year. The gross amount of the impairment is for 324 thousand BGN and is recognized in the Comprehensive income statement as “Other expenses” .

As of 31 December 2009 the receivables from tenants refer to the agricultural 2008/2009 and 2009/2010 year. All trade receivables of the Group are reviewed about impairment indications.

The most significant trade receivables as of 31 December are presented below:

	2009 BGN ’000	2008 BGN ’000	2007 BGN ’000
Hera Agro OOD	151	39	-
Mega Group EOOD	39	42	-
Agro Terra North AD	37	14	-
ZP Nenko Ivanov Nenkov	31	2	-
Kristera Agro EOOD	29	15	-

Ekaterina Iordanova Matger ET	27	7	-
Agroles Dimov EOOD	25	9	-
ZP Dimitar Ivanov Dimitrov	15	33	-
Dekadans Dimitar Shishkov ET	15	12	-
Standart Agro AM EOOD	151	39	-
Margarita EOOD	147	51	-

11. Advance payments

The most significant advance payments as of 31 December are presented below:

	2009 BGN '000	2008 BGN '000	2007 BGN '000
Kalina Georgieva Angelova	-	406	406
Dimitrin Dimitrov	-	61	61
Vania Stoycheva	-	40	40
Dimitar Ivanov	9	19	4
Vladimir Vasilev Iankov	-	18	18
Aleksandar Elenkov	6	6	10
Pepa Arsenova	5	5	5
Stoyan Ganchev	-	3	62
Nevian Georgiev	-	2	3
Stoyan Borisov Stoyanov	-	-	20
Tsetozar Tsvetkov	-	-	19
Plamen Petrov	-	-	12
Dimitar Dimitrov	-	-	10
Suzana Nedeva	-	-	7
Katia Kirilova	-	-	7
Daniela Marinova Georgieva	-	-	4
Irena Andonova Dimitrova	-	-	4
Others	11	62	15
	31	**622**	**707**

12. Tax receivables

	2009 BGN '000	2008 BGN '000	2007 BGN '000
VAT receivables	255	-	-
	255	**-**	**-**

13. Other receivables

	2009 BGN '000	2008 BGN '000	2007 BGN '000
Awarded receivables	544	-	-
Impairment of the awarded receivables	(199)	-	-
Carrying amount of the awarded receivables	**345**	**-**	**-**
Advance payments in relation to rent contracts:	54	-	-
Interest receivables	42	20	46
Other receivables	17	5	13
Trade receivables	**458**	**25**	**59**

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:

	2012/2013 BGN '000	2011/2012 BGN '000	2010/2011 BGN '000	2009/2010 BGN '000	2008/2009 BGN '000
Carrying amount at 1 January 2009	-	-	(21)	(21)	(16)
Accrued in 2009	(1)	(3)	(3)	(4)	-
Recognized in 2009	-	-	-	6	16
Carrying amount at 31 December 2009	**(1)**	**(3)**	**(24)**	**(19)**	**-**

14. Cash and cash equivalents

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

	2009 BGN '000	2008 BGN '000	2007 BGN '000
Cash resources at banks in:			
- BGN	279	70	2 342
- Euro	29	2	72
Short-term deposits	3 064	5 384	8 186
Total	**3 372**	**5 456**	**10 600**

The group has no blocked cash or cash equivalents.
At the date of the statement the Group has open deposits in Bulgarian banks:
- Term deposit with balance of 780 thousand BGN with 6% annual interest rate
- Term deposit with balance of 500 thousand BGN with 6.25% annual interest rate
- Call deposit with balance of 1,038 thousand BGN with 4% annual interest rate

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

In 2008 the Company reclassified two real estate properties as two separate projects: Project Kambanite and Project Wind Park Vetrino from Investment property to Assets held for sale.

The main reasons for the reclassification are as follows:

Kambanite project

In February 2008 the Fund concluded an agreement with a counterparty for the preparation of a detailed site development plan and change of statute of agricultural land for the Project Kambanite. As of 31 December 2009, the statute of the land remains unchanged, but in the proposed amendment of the Sofia General Urban Development Plan the real estate properties have a statute of zoned properties. As a consequence, in September 2008 the Board of directors took a decision to empower the Fund's Executive Director to conclude an intermediation agreement for the sale of Project Kambanite. As of that date the Management believed that the real estate properties will be sold by the end of 2009.

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 Counsil 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.

Wind park Vetrino project

In December 2008 the Fund signed an agreement with Hydroelectric de Bulgarie OOD (part of the Electricite De France economic group) for sale of 1,200 decares area, named Wind park Vetrino project, on which, after the respective estimations and preparation of all permits will be constructed a wind park with a capacity of 30 to 50 MW. According to the terms of the arrangement the transaction must be finalized by the end of 2009.

In 2009, the preliminary contract for the sale of Wind park Vetrino is terminated, so the lots on the project with a total value of 1,438 thousand BGN are reclassified back to the Investment properties of the Fund.

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 lesser value from 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 2009 and 2008 the Group assigns to a licensed evaluators 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.

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

	December 31 2009	**December 31 2008**	**December 31 2007**
Cost of acquisition	20,363	21,485	-
Impairment up to the net realizable value	(2,770)	-	-
Net realizable value	17,593	31,838	-

The increase in the value of the Kambanite project in the amount of 316 thousand BGN 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 31 December 2009 for the amount of 2,770 thousand BGN is on the basis of the received estimates for the fair market price.

As of 31 December 2008, the net realized value of the properties on the Kambanite project is 26,238 thousand BGN (approximately 24% higher than the acquisition cost), because of which impairment was not accrued as of that date.

16. Equity

16.1. Share capital

The registered share capital of the Parent-Company consists of 59,715,885 ordinary shares with par value of BGN 1 per share. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of the Company.

	2009 BGN '000	**2008 BGN '000**	**2007 BGN '000**
Issued and fully paid shares:			
Beginning of the year	59 716	59 716	59 716
Issued and fully paid shares	59 716	59 716	59 716
Total shares authorized at 31 December	**59 716**	**59 716**	**59 716**

The list of the principal shareholders is as follows:

	2009 Number of shares	**2009 %**	**2008 Number of shares**	**2008 %**	**2007 Number of shares**	**2007 %**
QVT FUND LP	29 560 880	49.50	29,560,880	49.50	23,110,048	38.70
ALLIANZ Group BULGARIA	9 934 924	16.64	9,931,764	16.63	9,650,087	16.16
CREDIT SUISSE SECURITIES(EUROPE) LTDPB	5 607 298	9.39	5,011,123	8.39	-	-
MORGAN STANLEY AND CO.INTERNATIONAL	-	-	-	-	6,532,918	10.94
RAIFFEISEN ZENTRALBANK OSTERREICH AG	-	-	-	-	3,941,248	6.60
Minority owners	14 612 783	24.47	15,212,118	25.47	16,481,584	27.60
	59 715 885	**100**	**59 715 885**	100	**59 715 885**	100

16.2. Premium reserve

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

Total value of 13,453 thousand BGN, 2006 – 9,946, 2005 – 3,507.

17. Employee remuneration

17.1. Employee benefits expenses

Employee benefits expenses include:

	2009 BGN '000	2008 BGN '000
Wages	(49)	(36)
Management contracts	(138)	(116)
Freelance contracts	(5)	(6)
Social security expenses	(16)	(7)
Unused vacations	(2)	-
Employee benefits expenses	**(210)**	**(165)**

17.2. Employee obligations

Employee obligations recognized in the Consolidated statement of financial position consist of the following amounts:

	2009 BGN '000	2008 BGN '000	2007 BGN '000
Current:			
Employee obligations, including:			
- Current wages on labour contracts	9	2	2
- Current wages on management contracts	10	20	49
- Freelance contracts	2	2	2
- Unused vacations	2	-	-
Social security obligations	4	1	3
Current employee obligations	**27**	**25**	**56**

The current part of the employee obligations represent obligations to current employees of the Group, which are about to be arranged in 2010.

18. Loans

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

As of 31 December 2009 the Company has accrued 1,365 thousand BGN of interest expenses on the bond issue. The outstanding interest due to bond holders is 561 thousand BGN.

19. Trade receivables

Trade receivables are reflected in the Consolidated statement of financial position and include:

	2009 BGN '000	2008 BGN '000	2007 BGN '000
Current:			
Servicing companies considerations	1,230	569	1,771
Payables to regional representatives	68	81	740
Payables to suppliers	131	72	77
Other liabilities	10	-	-
	1,439	**722**	**2,588**

20. Tax liabilities

Tax liabilities include:

	2009 BGN '000	2008 BGN '000	2007 BGN '000
Personal income tax	2	-	1
	2	**-**	**1**

21. Advance payments under rental arrangements

Advance payments can be represented in the following way:

	2009 BGN '000	2008 BGN '000	2007 BGN '000
Rental income under contracts	92	8	-
	92	**8**	**-**

The advances are in relation to advance payment receipts from tenants for future agricultural years. The recognition of the deferred revenues as current is completed on every quarter by ¼ of the total advance amount.

In 2009 there are recognized 8 thousand BGN deferred revenues for the 2008/2009 year which ends on 30 September 2009 and 31 thousand BGN, representing ¼ of the deferred revenues for 2009/2010.

22. Rental revenue from investment property

Rental revenue from investment property can be analyzed as follows:

Years to which the respective rental income relates	2009 BGN '000	2008 BGN '000
For 2005/2006	-	1
For 2006/2007	-	28
For 2006/2007	12	0
For 2007/2008	2,978	2,518
For 2008/2009	973	771
For 2009/2010	-	-
Total	**3,963**	**3,318**

23. Profit from sale of non-currrent assets

	2009 BGN '000	2008 BGN '000
Proceeds from sales	27	15,173
Carrying amount of sold non-current assets	(12)	(8,726)
Profit from sale of non-current assets	**15**	**6,447**

24. Cost of materials

Cost of materials include:

	2009 BGN '000	2008 BGN '000
Sowing seeds	(418)	-
Fuel for cultivation of agricultural land	(74)	-
Detergents	(17)	-
Advertising materials	(16)	-
Fuel and parts for vehicles	(4)	-
Office stationeries	(4)	(13)
	(533)	**(13)**

25. Hired services expenses

	2009 BGN '000	2008 BGN '000
Servicing company consideration	(1,522)	(3,135)
Cultivation of agricucultural land services	(349)	-
Charges for the sale of investment property	-	(384)
Advisory services	(117)	(4)
Legal fees	(133)	(39)
Charges for the conclusion of rental agreements	(59)	(81)
Audit fees	(39)	(58)
Internal audit fees	(59)	(20)
Licenced valuers remuneration	(22)	(58)
Fees (Central Depository, Financial Supervision Commission, Bulgarian Stock Exchange, etc.)	(17)	(19)
Membership fee for the Bulgarian Association of Agricultural Land Owners	(5)	(5)
Advertisement	(11)	(37)
Rents and maintenance	(35)	(62)
Freight charges	(15)	
Accounting fees	(5)	
Postal services expenses	(2)	(13)
Fees for the management of available financial assets	-	(8)
Expenses for the establishment of a mortgage	-	(12)
Insurance costs	(2)	(21)
Court charges	(26)	(5)
Other hired services expenses	(23)	(64)
Total	**(2,441)**	**(4,025)**

26. Other expenses

Other expenses include:

	2009 BGN '000	2008 BGN '000
Impairment of assets held for sale	(2,770)	-
Impairment of receivables from clients-tenants	(324)	-
Impairvents of awarded receivables	(199)	-
Unrecognized tax credit	(211)	-
Written-off receivables	(101)	(8)
Business trips	(53)	(3)
Carrying amount of written-off land in accordance with issued court orders	(18)	(8)
Representative expenses	(10)	-
Others	(6)	(3)
Total	**(3,692)**	**(22)**

The impairment of trade receivables amounts to 543 thousand BGN and is included in the Income statement on the "Other expenses" row, and is also further analyzed in note 10.

The impairment of assets held for sale amounts to 2,770 thousand BGN and is included in the "Other expenses" row, and is also analyzed in note 15.

27. Finance income and finance costs

Finance costs for the represented periods consist of:

	2009 BGN '000	2008 BGN '000
Bond issue interest	(1,365)	(1,370)
Bank loan interest	-	(120)
Bank fees	(4)	(26)
Bank loan fees (reimbursed to the Fund by the servicing company)	-	(47)
Interest expenses for finance lease agreements	-	(1)
Total	**(1,369)**	**(1,564)**

Finance income for 2009 consists of:

	2009 BGN '000	2008 BGN '000
Interest income from bank deposits	242	209
Interest income from bank accounts	1	4
Total	**243**	**213**

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

- Term deposit with balance of 780 thousand BGN with 6% annual interest rate

- Term deposit with balance of 500 thousand BGN with 6.25% annual interest rate
- Call deposit with balance of 1,038 thousand BGN with 4% annual interest rate

28. Corporate income tax expenses

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

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

The expected tax expenses, based on the effective tax stake in the amount of 10% and actually recognized tax expenses in the profit or loss of the subsidiaries, can be presented as follows:

	2009 **BGN ’000**
Profit before tax	(51)
Tax rate	10%
Expected income tax expense	-
Actual income tax expense	-
Total income tax expenses	**-**

29. 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:

	2009	**2008**
Profit / (Loss) subject of distribution (thousand BGN)	(3,159)	4,231
Weighted average number of shares	59,715,885	59,715,885
Earnings / (Loss) per share (BGN)	**(0.053)**	**0.071**

Correction of the financial result of ELARG AGRICULTURAL LAND OPPORTUNITY FUND REIT for 2009 in accordance with Art. 10, p. 1 from the Special Investment Purpose Companies Act

	Amount **000 BGN**
Profit for distribution /accounting profit / (loss)	(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	(11)
3. Increased/decreased in the year of transfer of ownership of the property with the positive / negative difference between:	11
a) the sale price of the property	23
б) the historic price amount of the real property and the following expenses, leading to the increase in its carrying amount	(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	-
б) the sum of the historic price of the property and the following costs, leading to the increase in its carrying amount	-
Corrected profit	**(378)**

30. Related party transactions

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

If it is not specifically mentioned, the transactions with related parties are not completed in special terms and there are not granted or received any guarantees.

30.1. Transactions with key management personnel

The key management personnel of the Company includes the members of the Board of Directors. The considerations of the key management personnel include the following:

	2009 **000 BGN**
Short term considerations:	
Considerations on management contracts	(138)
Social security expenses	(5)
Общо възнаграждения	**(143)**
Management contract warranty	12

30.2. Related party balances as of the end of year

	2009 BGN '000	2008 BGN '000	2007 BGN '000
Current			
Receivables from:			
- key management personnel	2	-	-
Total current receivables from related parties	2	-	-
Total receivables from related parties	**2**	**-**	**-**
Current			
Payables to:			
- key management personnel	22	-	-
Total current payables to related parties	**22**	**-**	**-**
Total payables to related parties	**22**	**-**	**-**

31. Non-cash transactions

During the presented reporting periods, the Company 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 for the amount of 14 thousand BGN (2008: none)

32. Risk associated with financial instruments

Strategy of the management in relation to financial risk management

The Company is exposed to price risk, interest rate risk, credit risk, liquidity risk, market, capital and currency risk which result from the financial instruments owned by the Company. The Company's risk management policies are presented below.

The risk management of the Group is done by the management.

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

32.1. Market risk analysis

32.1.1. Currency risk

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

	Exposure of short-term risk	Exposure of long-term risk
	EURO '000	**EURO '000**
31 December 2009		
Financial assets	29	-
Financial liabilities	(20,128)	(19)
Total risk exposure	**(20,132)**	**(19)**
31 December 2008		
Financial assets	2	-
Financial liabilities	(568)	(19,563)
Total risk exposure	**(566)**	**(19,563)**
31 December 2007		
Financial assets	72	-
Financial liabilities	(566)	(19,568)
Total risk exposure	**(494)**	**(19,568)**

32.1.2. Interest rate risk

The Group's policy is aiming for minimization of interest rate risk in long-term financing. As of 31 December 2009 the Group is not exposed to a change in interest rate risk, because the financial assets and liabilities are with fixed interest rates.

32.2. Credit risk

Credit risk arises when the Company's counterparties are unable to pay their liabilities when they become due. The Company is exposed to this risk in relation to different financial instruments, for example when there are client receivables, deposit of resources, investments in bonds, etc. The Company'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:

	2009	2008	2007
	BGN '000	**BGN '000**	**BGN '000**
Groups financial assets – carrying amounts			
Cash and cash equivalent	3,372	5,456	10,600
Trade and other receivables	2,461	1,418	216
Carrying amount	**5,833**	**6,874**	**10,816**

The Group regularly monitors the non-performance of the client obligations and other counterparties, separately or in groups, an 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 consideres 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 represent the maximum possible credit risk exposure of the Group in relation to these financial instruments.

32.3. Liquidity risk analysis

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

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

The Company maintains sufficient available cash in order to finance its activity and to diminish the cash flow fluctuations. The Company is able to provide for the necessary funds for its activity through various credit opportunities from financial institutions securing the loans with the owned investment property and through public issue of shares.

As of 31 December 2009 the maturities of the arranged obligations of the Company (including interest payments as necessary) are generalized as follows:

	Current		**Non-current**	
31 December 2009	**Up to 6 months BGN ’000**	**Between 6 and 12 months BGN ’000**	**From 1 to 5 years BGN ’000**	**Over 5 years BGN ’000**
Debenture loans	682	20,235	-	-
Finance lease payables	6	5	21	-
Trade and other payables	1,465	-	-	-
Total	**2,153**	**20,240**	**21**	**-**

31 December 2008	**Current**		**Non-current**	
	Up to 6 months BGN '000	**Between 6 and 12 months BGN '000**	**From 1 to 5 years BGN '000**	**Over 5 years BGN '000**
Debenture loans	682	683	20,917	-
Finance lease payables	3	3	5	-
Trade and other payables	747	-	-	-
Total	**1,432**	**686**	**20,922**	**-**

31 December 2007	**Current**		**Non-current**	
	Up to 6 months BGN '000	**Between 6 and 12 months BGN '000**	**From 1 to 5 years BGN '000**	**Over 5 years BGN '000**
Bond issue	685	685	22,282	-
Finance lease payables	3	3	12	-
Trade and other payables	2,644	-	-	-
Total	**3,332**	**688**	**22,294**	**-**

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

32.4. Categories financial assets and liabilities

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

Financial assets	**Notes**	**2009 BGN '000**	**2008 BGN '000**	**2007 BGN '000**
Loans and receivables:				
Trade and other receivables	10,13	2,461	1,443	275
Cash and cash equivalents	14	3,372	5,456	10,600
		5,833	**6,899**	**10,875**

Financial liabilities	**Notes**	**2009 BGN '000**	**2008 BGN '000**	**2007 BGN '000**
Financial liabilities, reported by their impaired value:				
Non-current liabilities:				
Payables on debenture loans, including interests	18	-	19,558	19,558
Finance lease payables	9	19	5	10
Current liabilities:				
Payables on debenture loans, including interests	18	20,119	563	561

Finance lease payables	9	9	5	5
Trade and other payables	14	1,454	747	2,644
		21,601	**20,878**	**22,778**

33. 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 profitablility for the owners, as it determines the price of products and services in relation to the level of risk.

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

The Debt/Equity ratio is as follows:

	2009 BGN '000	2008 BGN '000	2007 BGN '000
Debt	21 720	20,892	22,779
Cash and cash equivalents	(3 372)	(5,456)	(10,600)
Net debt	18 348	15,436	12,179
Equity	67 817	70,234	66,745
Net debt / Equity	0.27	0.22	0.18

34. Event after 31 December 2009

34.1. According to a decicion from the Board of Directors from 10 February 2010 was accepted the resignation of Stoian Lubomirov Malkochev as an Executive Director of ELARG AGRICULTURAL LAND OPPORTUNITY FUND REIT and on grounds of art. 235, par.2 and art.244, par. 4 from the Commercial Act the Management of the Company was appointed to Andrei Valerievich Kruglykhin.

34.2. According to a minutes of meeting of the Board of Directors of ELARG AGRICULTURAL LAND OPPORTUNITY FUND REIT in its capacity of sole owner of the capital of Elarg Agro EOOD from 11 February 2010 are made the following decisions:

- INCREASING THE CAPITAL of Elarg Agro EOOD with 90,000 BGN – from 5,000 BGN to 95,000 BGN by combined following of the mechanisms of art. 148, par.1, p.1 and 2 from the Commercial Act, namely increasing the nominal value of the existing 100 shares from 50 to 95 BGN and the issuing of new 900 shares, each with a nominal value of 95 BGN

- ALONG WITH THE CAPITAL INCREASE BY P.1 DECREASES THE CAPITAL of Elarg Agro EOOD according to art. 149, par. 1 of the Commercial Act in relation to art. 203 from CA, with 45 000 BGN – from 90 000 BGN to 50,000 BGN, as the decrease in capital has an effect only and by the extent the increase in p.1 of the currently reported decision is completed.

- THE GOAL of the increase in capital by p.1 is the provision of a financial resource, necessary for the operation of the Company and taking the value of the capital in accordance with the value of the Company's property, and THE GOAL of the decrease of capital by p.2 is the covering of the loss, accumulated in the financial 2009.

The increase in capital is made by an effective payment on composition account of the Company on 24 February 2010 in an amount of 90,000 BGN.

On 23 March 2010 in the Trade Register are recorded the changes in the capital of the subsidiary – Elarg Agro EOOD.

35. Authorisation of the consolidated financial statements

The consolidated financial statement as of 31 December 2009 (including the comparative information) was approved by the Board of Directors on 30 April 2010.