

ELTRAK BULGARIA FOOD

REPORT AND FINANCIAL STATEMENTS

31 December 2010

ELTRAK BULGARIA FOOD

REPORT AND FINANCIAL STATEMENTS 31 December 2010

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ELTRAK BULGARIA EOOD

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:

Todor Sheljaskow
Constantine Hadjipateras

Independent Auditors:

Baker Tilly Klitou OOD
Jeni Gitsoayka- CPA
104 Akad. Ivan Evst. Geshov Blvd
Floor 7, Office 12
Sofia 1612
Bulgaria

Registered office:

439, Evropa blvd.
Sofia - 1331
Bulgaria

Bankers:

Alpha Bank Sofia Branch
Emporiki Bank
United Bulgarian Bank
Postbank Bulgaria
BBVA Bank

ELTRAK BULGARIA EOOD

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report and audited financial statements of the Company for the year ended 31 December 2010.

Incorporation

The Company ELTRAK BULGARIA EOOD was incorporated in Bulgaria in 1992 as a limited liability company under the provisions of the Commercial Act.

Principal activities

The principal activities of the Company, which are unchanged from last year, are the sale of machines, spare parts and servicing of machines of Caterpillar, Perkins, Bucyrus and M.C.F.E.

Results and Dividends

The Company's results for the year are set out on page 5. The Board of Directors does not recommend the payment of a dividend and the net profit for the year is retained.

Share capital

There were no changes in the share capital of the Company during the year.

Board of Directors

The members of the Company's Board of Directors as at 31 December 2010 and at the date of this report are presented on page 1. All of them were members of the Board throughout the year ended 31 December 2010.

In accordance with the Company's Articles of Association all directors presently members of the Board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Events after the reporting period

Any significant events that occurred after the end of the reporting period are described in note 24 to the financial statements.

Independent Auditors

The Independent Auditors, Baker Tilly Klitou OOD, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,

Todor Sheljaskov
Director

Sofia, 18 March 2011

Independent Auditor's Report

To the Shareholders of ELTRAK BULGARIA EOOD

Report on the Financial Statements

We have audited the accompanying financial statements of ELTRAK BULGARIA EOOD (the "Company"), which comprise the statement of financial position as at 31 December 2010 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of ELTRAK BULGARIA EOOD as of 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal Requirements

Pursuant to the requirements of the Accountancy Law, Art.38, para 4, we report the following:

The Annual Activity Report prepared by the Management is in compliance with the Financial Statements of the Company as at 31 December 2010.

Filip Lyapov, CPA
Registered auditor

Sofia, Bulgaria
18 March 2011

Jeni Gitsoayka – Manager
Baker Tilly Klitou and Partners OOD

104 Akad. Ivan Evst. Geshov blvd.
7th Floor, Office 12, Sofia, Bulgaria

ELTRAK BULGARIA EOOD

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	Note	2010 BGN	2009 BGN
Revenue	4	23,302,413	28,066,771
Cost of sales		(17,219,474)	(21,395,491)
Gross profit		6,082,939	6,671,280
Other income	5	617,486	877,085
Operating expenses		(5,302,288)	(6,045,438)
Operating profit	6	1,398,137	1,502,927
Net finance costs	8	(815,372)	(2,042,459)
Profit/ (loss) before tax		582,765	(539,532)
Tax	9	(46,503)	(4,591)
Net profit / (loss) for the year		536,262	(544,123)
Other comprehensive income		-	-
Total comprehensive income for the year		536,262	(544,123)

The notes on pages 9 to 22 form an integral part of these financial statements.

ELTRAK BULGARIA EOOD

STATEMENT OF FINANCIAL POSITION

31 December 2010

	Note	2010 BGN	2009 BGN
ASSETS			
Non-current assets			
Property, plant and equipment	10	15,559,112	16,033,749
Intangible assets	11	5,482	18,548
Finance lease receivables	14	1,728,449	1,206,599
Deferred tax assets	18	42,166	46,269
		<u>17,335,209</u>	<u>17,305,165</u>
Current assets			
Inventories	12	8,148,515	14,197,646
Trade and other receivables	13	3,251,890	4,795,129
Finance lease receivables	14	1,137,792	986,566
Cash at bank and in hand	15	719,749	180,709
		<u>13,257,946</u>	<u>20,160,050</u>
Total assets		<u>30,593,155</u>	<u>37,465,215</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	16	3,916,660	3,916,660
Retained earnings		15,761,842	15,225,580
Total equity		<u>19,678,502</u>	<u>19,142,240</u>
Non-current liabilities			
Borrowings	17	1,554,384	979,550
Deferred tax liabilities	18	82,049	39,649
Provisions for other liabilities and charges	19	82,250	60,614
		<u>1,718,683</u>	<u>1,079,813</u>
Current liabilities			
Trade and other payables	20	1,900,510	1,719,185
Borrowings	17	7,268,070	15,431,622
Provisions for other liabilities and charges	19	27,390	92,355
		<u>9,195,970</u>	<u>17,243,162</u>
Total liabilities		<u>10,914,653</u>	<u>18,322,975</u>
Total equity and liabilities		<u>30,593,155</u>	<u>37,465,215</u>

On 18 March 2011 the Board of Directors of ELTRAK BULGARIA EOOD authorised these financial statements for issue.

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Todor Sheljaskow
Director

The notes on pages 9 to 22 form an integral part of these financial statements.

ELTRAK BULGARIA FOOD

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

	Note	Share capital BGN	Retained earnings BGN	Total BGN
Balance - 1 January 2009		<u>5,000</u>	<u>15,769,703</u>	<u>15,774,703</u>
Comprehensive income				
Total comprehensive income for the year		-	(544,123)	(544,123)
Issue of share capital	16	3,911,660	-	3,911,660
Balance at 31 December 2009/ 1 January 2010		<u>3,916,660</u>	<u>15,225,580</u>	<u>19,142,240</u>
Total comprehensive income for the year		-	536,262	536,262
Balance at 31 December 2010		<u>3,916,660</u>	<u>15,761,842</u>	<u>19,678,502</u>

The notes on pages 9 to 22 form an integral part of these financial statements.

ELTRAK BULGARIA FOOD

STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	Note	2010 BGN	2009 BGN
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/ (loss) before tax		582,765	(539,532)
Adjustments for:			
Depreciation of property, plant and equipment	10	999,511	1,378,642
Profit from the sale of property, plant and equipment		(104,246)	(95,310)
Impairment charge of property, plant and equipment	10	8,550	-
Interest income	8	(229,198)	(194,544)
Interest expense	8	890,533	2,135,663
Cash flows from operations before working capital changes		2,147,915	2,684,919
Decrease in inventories		6,049,131	8,656,477
Decrease in trade and other receivables		870,163	740,022
Increase / (decrease) in trade and other payables		181,325	(2,741,393)
Decrease in provisions	19	(43,329)	-
Cash flows from operations		9,205,205	9,340,025
Interest paid		(890,533)	(2,135,663)
Tax paid		-	(139,911)
Net cash flows from operating activities		8,314,672	7,064,451
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of property, plant and equipment	10	(1,027,614)	(1,043,122)
Proceeds from disposal of property, plant and equipment		611,502	586,855
Interest received		229,198	194,544
Net cash flows used in investing activities		(186,914)	(261,723)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		-	3,911,660
Repayments of borrowings (net)		(7,588,718)	(10,875,500)
Net cash flows used in financing activities		(7,588,718)	(6,963,840)
Net increase / (decrease) in cash and cash equivalents		539,040	(161,112)
Cash and cash equivalents:			
At beginning year		180,709	341,821
At end year	15	719,749	180,709

The notes on pages 9 to 22 form an integral part of these financial statements.

ELTRAK BULGARIA EOOD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

1. Incorporation and principal activities

Country of incorporation

The Company ELTRAK BULGARIA EOOD (the "Company") was incorporated in Bulgaria in 1992 as a limited liability Company in accordance with the provisions of the Commercial Act. Its registered office is at 439, Evropa blvd., Sofia - 1331, Bulgaria.

Principal activities

The principal activities of the Company, which are unchanged from last year, are the sale of machines, spare parts and servicing of machines of Caterpillar, Perkins, Bucyrus and M.C.F.E.

2. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Adoption of new and revised IFRSs

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2010. This adoption did not have a material effect on the accounting policies of the Company except for the application of International Accounting Standard 1 (Revised) "Presentation of Financial Statements" which has a material effect on the presentation of the financial statements.

ELTRAK BULGARIA FOOD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

2. Accounting policies (continued)

Adoption of new and revised IFRSs (continued)

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Company.

Revenue recognition

Revenue comprises the invoiced amount for the sale of products net of Value Added Tax, rebates and discounts. Revenues earned by the Company are recognised on the following bases:

- **Sale of products**

Sales of products are recognised when significant risks and rewards of ownership of the products have been transferred to the customer, which is usually when the Company has sold or delivered the products to the customer, the customer has accepted the products and collectability of the related receivable is reasonably assured.

- **Rendering of services**

Sales of services are recognised in the accounting period in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

- **Interest income**

Interest income is recognised on a time-proportion basis using the effective interest method.

Finance income

Finance income includes interest income which is recognised based on an accrual basis.

Finance costs

Interest expense and other costs on borrowings to finance construction or production of qualifying assets are capitalised, during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

ELTRAK BULGARIA FOOD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

2. Accounting policies (continued)

Tax (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is calculated on the straight-line method so as to write off the cost of each asset to its residual value over its estimated useful life. The annual depreciation rates used are as follows:

	%
Property under construction	0
Buildings	2
Computer hardware	50
Tools	15-30
Plant and machinery	15-30
Motor vehicles	15
Furniture, fixtures and office equipment	15-30
Improvement of hired assets	15-33

No depreciation is provided on land.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

Expenditure for repairs and maintenance of property, plant and equipment is charged to the statement of comprehensive income of the year in which it is incurred. The cost of major renovations and other subsequent expenditure are included in 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 will flow to the Company. Major renovations are depreciated over the remaining useful life of the related asset.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in the statement of comprehensive income.

ELTRAK BULGARIA FOOD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

2. Accounting policies (continued)

Computer software

Costs that are directly associated with identifiable and unique computer software products controlled by the Company and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure which enhances or extends the performance of computer software programs beyond their original specifications is recognised as a capital improvement and added to the original cost of the computer software. Costs associated with maintenance of computer software programs are recognised as an expense when incurred. Computer software costs are amortised using the straight-line method over their useful lives, not exceeding a period of three years. Amortisation commences when the computer software is available for use and is included within administrative expenses.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Prepayments from clients

Payments received in advance on development contracts for which no revenue has been recognised yet, are recorded as prepayments from clients as at the reporting date and carried under liabilities. Payments received in advance on development contracts for which revenue has been recognised, are recorded as prepayments from clients to the extent that they exceed revenue that was recognised in the statement of comprehensive income as at the reporting date.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts. In the statement of financial position, bank overdrafts are included in borrowings in current liabilities.

Borrowings

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any differences between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

ELTRAK BULGARIA FOOD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

2. Accounting policies (continued)

Financial instruments (continued)

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the costs to completion and selling expenses.

ELTRAK BULGARIA FOOD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

2. Accounting policies (continued)

Land and buildings under development

The cost of land and buildings under development and completed buildings for sale comprise the cost of acquiring the land and the development costs of the buildings. The development cost of the buildings includes raw materials, direct labour cost, depreciation of plant and equipment and other indirect costs of construction.

The land for development is carried at cost and included in land and buildings under development at the reporting date.

Share capital

Ordinary shares are classified as equity.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Non-current liabilities

Non-current liabilities represent amounts that are due more than twelve months from the reporting date.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- **Revenue recognition**

The Company applies the provisions of IAS18 for accounting for revenue from sale of developed property, under which income and cost of sales are recognized upon delivery and when substantially all risks have been transferred to the buyer.

- **Provision for bad and doubtful debts**

The Company reviews its trade and other receivables for evidence of their recoverability. Such evidence includes the customer's payment record and the customer's overall financial position. If indications of irrecoverability exist, the recoverable amount is estimated and a respective provision for bad and doubtful debts is made. The amount of the provision is charged through the statement of comprehensive income. The review of credit risk is continuous and the methodology and assumptions used for estimating the provision are reviewed regularly and adjusted accordingly.

ELTRAK BULGARIA FOOD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

3. Critical accounting estimates and judgements (continued)

- **Provision for obsolete and slow-moving inventory**

The Company reviews its inventory records for evidence regarding the saleability of inventory and its net realizable value on disposal. The provision for obsolete and slow-moving inventory is based on Management's past experience, taking into consideration the value of inventory as well as the movement and the level of stock of each category of inventory.

The amount of provision is recognized in the statement of comprehensive income. The review of the net realisable value of the inventory is continuous and the methodology and assumptions used for estimating the provision for obsolete and slow-moving inventory are reviewed regularly and adjusted accordingly.

- **Income taxes**

Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- **Retirement benefits**

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rate of return on plan assets, future salary increases, mortality rates and future pension increases where necessary. The Company sets these assumptions based on market expectations at the reporting date using best-estimates for each parameter covering the period over which obligations are to be settled. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

- **Impairment of intangible asset**

Intangible assets are initially recorded at acquisition cost and are amortized on a straight line basis over their useful economic life. Intangible assets that are acquired through a business combination are initially recorded at fair value at the date of acquisition. Intangible assets with indefinite useful life are reviewed for impairment at least once per year. The impairment test is performed using the discounted cash flows expected to be generated through the use of the intangible assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Company estimates the recoverable amount of the cash generating unit in which the asset belongs to.

4. Revenue

	2010	2009
	BGN	BGN
Sales of products	21,625,111	25,698,313
Rendering of services	1,677,302	2,368,458
	<u>23,302,413</u>	<u>28,066,771</u>

ELTRAK BULGARIA FOOD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

5. Other income

	2010 BGN	2009 BGN
Other income	<u>617,486</u>	<u>877,085</u>
	617,486	877,085

6. Operating profit

	2010 BGN	2009 BGN
Operating profit is stated after charging the following items:		
Depreciation of property, plant and equipment (Note 10)	990,961	1,234,455
Staff costs including Directors in their executive capacity (Note 7)	1,937,651	2,180,400
Auditors' remuneration	16,722	11,442
	16,722	11,442

7. Staff costs

	2010 BGN	2009 BGN
Wages and salaries	<u>1,937,651</u>	<u>2,180,400</u>
	1,937,651	2,180,400

8. Finance income / cost

	2010 BGN	2009 BGN
Interest income	<u>229,738</u>	194,544
Finance income	229,738	194,544
Interest expense	890,533	2,135,663
Other finance expenses	<u>154,577</u>	101,340
Finance costs	1,045,110	2,237,003
Net finance costs	(815,372)	(2,042,459)

9. Tax

	2010 BGN	2009 BGN
Deferred tax - charge (Note 18)	<u>46,503</u>	4,591
Charge for the year	46,503	4,591

The corporation tax rate is 10%.

ELTRAK BULGARIA FOOD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

10. Property, plant and equipment

	Land and buildings	Property under construction	Computer hardware	Tools	Plant and machinery	Motor vehicles	Furniture, fixtures and office equipment	Improv- ment of hired asset	Total
	BGN	BGN	BGN	BGN	BGN	BGN	BGN	BGN	BGN
Cost									
Balance - 1 January 2009	4,734,016	7,817,096	459,386	263,736	3,571,661	992,990	434,684	55,780	18,329,349
Additions	7,946,276	-	20,520	64,422	669,095	98,053	13,975	8,873	8,821,214
Disposals	-	(7,778,209)	(2,514)	-	(711,614)	(76,215)	-	-	(8,568,552)
Balance at 31 December 2009/ 1 January 2010	12,680,292	38,887	477,392	328,158	3,529,142	1,014,828	448,659	64,653	18,582,011
Additions	58,709	-	10,780	189,074	765,322	-	2,937	-	1,026,822
Disposals	-	-	(4,138)	(50,696)	(711,623)	(85,626)	-	(2,411)	(854,494)
Balance at 31 December 2010	12,739,001	38,887	484,034	466,536	3,582,841	929,202	451,596	62,242	18,754,339
Depreciation									
Balance - 1 January 2009	-	-	228,651	154,563	506,638	468,929	123,370	6,692	1,488,843
Charge for the year	144,187	-	140,963	55,457	782,782	163,549	59,912	10,005	1,356,855
On disposals	-	-	(1,152)	-	(220,069)	(76,215)	-	-	(297,436)
Balance at 31 December 2009/ 1 January 2010	144,187	-	368,462	210,020	1,069,351	556,263	183,282	16,697	2,548,262
Charge for the year	159,037	-	108,051	81,607	482,051	75,008	60,642	19,257	985,653
On disposals	-	-	(3,883)	(3,802)	(245,377)	(85,626)	-	-	(338,688)
Balance at 31 December 2010	303,224	-	472,630	287,825	1,306,025	545,645	243,924	35,954	3,195,227
Net book amount									
Balance at 31 December 2010	12,435,777	38,887	11,404	178,711	2,276,816	383,557	207,672	26,288	15,559,112
Balance at 31 December 2009	12,536,105	38,887	108,930	118,138	2,459,791	458,565	265,377	47,956	16,033,749

ELTRAK BULGARIA FOOD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

11. Intangible assets

	Computer software BGN	Total BGN
Cost		
Balance - 1 January 2009	64,712	64,712
Balance at 31 December 2009/ 1 January 2010	64,712	64,712
Additions	792	792
Balance at 31 December 2010	65,504	65,504
Amortisation		
Balance - 1 January 2009	24,378	24,378
Amortisation for the year	21,786	21,786
Balance at 31 December 2009/ 1 January 2010	46,164	46,164
Amortisation for the year	13,858	13,858
Balance at 31 December 2010	60,022	60,022
Net book amount		
Balance at 31 December 2010	5,482	5,482
Balance at 31 December 2009	18,548	18,548

12. Inventories

	2010 BGN	2009 BGN
Raw materials	1,375	1,375
Goods for resale	8,147,140	14,196,271
	8,148,515	14,197,646

The cost of inventories recognised as expense and included in 'cost of goods sold' amounted to BGN17,278,657 (2009: BGN21,892,582).

Inventories are stated at the lower of cost and net realizable value.

13. Trade and other receivables

	2010 BGN	2009 BGN
Trade receivables	2,393,233	4,215,768
Other receivables and prepaid expenses	858,657	579,361
	3,251,890	4,795,129

14. Finance lease receivables

	2010 BGN	2009 BGN
On 1 January	-	-
Lease receivables up to 12 months	1,137,792	986,566
Lease receivables after 12 months	1,728,449	1,206,599
Balance at 31 December	-	-
Less non-current portion	-	-
Total	2,866,241	2,193,165

ELTRAK BULGARIA FOOD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

15. Cash at bank and in hand

For the purposes of the cash flow statement, the cash and cash equivalents include the following:

	2010	2009
	BGN	BGN
Cash in hand	10,397	9,460
Cash at bank	709,352	171,249
	<u>719,749</u>	<u>180,709</u>

16. Share capital

	2010	2010	2009	2009
	Number of	BGN	Number of	BGN
	shares		shares	
Authorised				
Ordinary shares of BGN 10 each	391,666	3,916,660	391,666	3,916,660
Issued and fully paid				
On 1 January	391,666	3,916,660	500	5,000
Issue of shares	-	-	391,166	3,911,660
Balance at 31 December	<u>391,666</u>	<u>3,916,660</u>	<u>391,666</u>	<u>3,916,660</u>

17. Borrowings

	2010	2009
	BGN	BGN
Current borrowings		
Bank overdrafts and credit facilities	7,268,070	15,431,622
	<u>7,268,070</u>	<u>15,431,622</u>
Non current borrowings		
Credit facilities	1,554,384	979,550
	<u>1,554,384</u>	<u>979,550</u>
Total	<u>8,822,454</u>	<u>16,411,172</u>
Maturity of non-current borrowings:		
Within one year	7,268,070	15,431,622
Between one and five years	1,554,384	979,550
	<u>8,822,454</u>	<u>16,411,172</u>

ELTRAK BULGARIA FOOD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

17. Borrowings (continued)

The company has loans from four banks. All of the loans are used for working capital needs and are secured with corporate guarantee by Eltrak S.A.

The company has two overdraft loans received from Alpha bank. The first loan is for the amount of EUR 1 500 000 and was received on 1 March 2005 and is repayable within one year. An annex was concluded on 22 June 2007 where the amount was increased to EUR 2 522 584. According to two annexes concluded in 2009 the amount of the loan was decreased to EUR 1 372 584. An annex was concluded on 29 June 2010 where the term for disbursement and repayment of the amounts of the granted credit line was prolonged till 30 June 2011. The second loan is for the amount of BGN 6 498 409 for a period of 12 months. An annex was concluded on 29 May 2009 where the currency of the loan was changed to euro and the loan amounts were changed to EUR 3 322 584. An annex was concluded on 29 June 2010 where the term for disbursement and repayment of the amounts of the granted credit line was prolonged till 30 June 2011.

The company has an overdraft loan from Emporiki Bank Bulgaria for the amount of BGN 4 800 000. According to an annex concluded on 18 August 2010 the amount of the loan was decreased to BGN 2 346 995. The loan is repayable by 31.07.2011.

The company has two overdraft loans from Eurobank EFG Bulgaria AD. The first loan is for the amount of BGN 9 000 000. An annex was concluded on 22.11.2010 and therefore that loan can be utilized and disbursed in leva and/or in euro. The loan was separated in two sublimits: sublimit 1 - BGN 3 132 510 and sublimit 2 - EUR 3 000 000. The second loan is for the amount of EUR 500 000. Both loans are repayable by 30.10.2011.

The company has overdraft loan from United Bulgarian Bank. The loan is for the amount of BGN 3 000 000 and it was granted on 28 July 2008. The loan is repayable by 31.08.2011.

Interest on above loans range from 5.51 % to 8.6 %.

The company has a loan agreement (credit line) with Caterpillar Financial Corporation Financiera S.A. concluded on 28 September 2005.

18. Deferred tax

Deferred tax is calculated in full on all temporary differences under the liability method using the applicable tax rates (Note 9). The applicable corporation tax rate in the case of tax losses is 10%.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

The movement on the deferred taxation account is as follows:

Deferred tax liability

	Temporary tax differences BGN
Balance - 1 January 2009	12,922
Charged / (credited) to:	
Statement of comprehensive income (Note 9)	<u>26,727</u>
Balance at 31 December 2009/ 1 January 2010	39,649
Charged / (credited) to:	
Statement of comprehensive income (Note 9)	<u>42,400</u>
Balance at 31 December 2010	<u>82,049</u>

ELTRAK BULGARIA FOOD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

18. Deferred tax (continued)

Deferred tax assets

	Temporary tax differences BGN
Balance - 1 January 2009	24,134
Charged / (credited) to:	
Statement of comprehensive income (Note 9)	22,135
Balance at 31 December 2009/ 1 January 2010	46,269
Charged / (credited) to:	
Statement of comprehensive income (Note 9)	(4,103)
Balance at 31 December 2010	42,166

19. Provisions for other liabilities and charges

	Pension and other post retirement obligations BGN	Warranty BGN	Total BGN
Balance - 1 January 2009	73,377	87,433	160,810
Utilised during the year	(7,841)	-	(7,841)
Balance at 31 December 2009/ 1 January 2010	65,536	87,433	152,969
Utilised during the year	(4,922)	(87,433)	(92,355)
Arising during the year	-	49,026	49,026
Balance at 31 December 2010	60,614	49,026	109,640

The amounts included in the statement of financial position include the following:

	2010 BGN	2009 BGN
Provisions to be used after more than twelve months	82,250	60,614
Provisions to be used within twelve months	27,390	92,355

20. Trade and other payables

	2010 BGN	2009 BGN
Trade payables	1,386,717	1,386,437
Charterers	49,026	-
Other creditors and accruals	394,938	260,001
Payables to parent	69,829	72,747
	1,900,510	1,719,185

ELTRAK BULGARIA FOOD

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

21. Related party transactions

The Company is controlled by Eltrak SA, incorporated in Greece, which owns 100% of the Company's shares.

The following transactions were carried out with related parties:

21.1 Directors' remuneration

The remuneration of Directors and other members of key management was as follows:

	2010	2009
	BGN	BGN
Directors' remuneration	<u>266,245</u>	<u>272,306</u>
	<u>266,245</u>	<u>272,306</u>

21.2 Sales of goods and services

	2010	2009
	BGN	BGN
ELTRAK SA	<u>29,719</u>	<u>2,394,237</u>
	<u>29,719</u>	<u>2,394,237</u>

Sales to ELTRAK SA were made at arms length prices.

21.3 Purchases of goods and services

	2010	2009
	BGN	BGN
ELTRAK SA	<u>411,985</u>	<u>273,891</u>
	<u>411,985</u>	<u>273,891</u>

21.4 Payables to related parties (Note 20)

<u>Name</u>	2010	2009
	BGN	BGN
ELTRAK SA	<u>69,829</u>	<u>72,747</u>
	<u>69,829</u>	<u>72,747</u>

22. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2010.

23. Commitments

The Company had no capital or other commitments as at 31 December 2010.

24. Events after the reporting period

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent Auditor's report on pages 3 and 4

ELTRAK BULGARIA FOOD

COST OF SALES

Year ended 31 December 2010

	2010	2009
	BGN	BGN
Cost of sales		
Opening stocks	14,196,271	22,852,748
Purchases	11,229,526	13,236,105
Closing stocks	<u>(8,147,140)</u>	<u>(14,196,271)</u>
	<u>17,278,657</u>	<u>21,892,582</u>
Direct costs		
Discounts and other direct costs	<u>(59,183)</u>	<u>(497,091)</u>
	<u>(59,183)</u>	<u>(497,091)</u>
	<u>17,219,474</u>	<u>21,395,491</u>

ELTRAK BULGARIA FOOD

OPERATING EXPENSES

Year ended 31 December 2010

	2010	2009
	BGN	BGN
Operating expenses		
Directors' salaries	266,245	272,306
Salaries & wages	1,671,406	1,908,094
Other expenses	785,147	798,264
Materials	316,045	352,131
Hired services	1,272,484	1,336,001
Depreciation	990,961	1,378,642
	<u>5,302,288</u>	<u>6,045,438</u>