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**GRADUS AD**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**1. Status and object of business activity**

Gradus AD, Stara Zagora, was established on 28 November 2017.  
Management address: Stara Zagora, Industrialen quarter, Gradus Poultry Slaughterhouse  
BULSTAT: 204882907

**Ownership and management**

Gradus AD is a public company in accordance with the Public Offering of Securities Act. Shareholders of the company as at 30 September 2020:

- Luka Angelov Angelov – 40.72% of the capital,
- Ivan Angelov Angelov – 20.65% of the capital
- Angel Ivanov Angelov - 20.65% of the capital
- Legal entities – 15.64% of the capital
- Individual shareholders – 2.34% of the capital.

**Management bodies of the company**

- General Meeting of Shareholders
- Board of Directors

**Board of Directors**

The Board of Directors consists of three (3) members who are as follows as at 30 September 2020:

Luka Angelov Angelov – Chairman of the Board of Directors of Gradus AD  
Ivan Angelov Angelov – Member of the Board of Directors and Executive Director of Gradus AD  
Georgi Aleksandrov Babev - Member of the Board of Directors of Gradus AD

**Audit Committee:**

The Audit Committee supports the work of the Board of Directors; it has the role of those in charge of governance who monitor and supervise the internal control system, risk management and financial reporting system of the company.

Members of the Audit Committee are:

- Dobri Svetlozarov Simeonov - Chairperson of the Audit Committee;
- Petya Radoslavova Panova – Member of the Audit Committee;
- Georgi Aleksandrov Babev – Member of the Audit Committee.

**2. Basis of preparation of the consolidated financial statements**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU). These consolidated financial statements have been prepared based on the principles of going concern, current accrual and historical cost, except for items of property, plant and equipment that are measured using the revaluation model of IAS 16 *Property, Plant and Equipment* and investment property that is measured at fair value in accordance with IAS 40 *Investment Property*.

**Functional currency and currency of presentation**

Pursuant to the requirements of the Bulgarian legislation, the Group keeps its accounting books and records and prepares its consolidated financial statements in the national currency of the Republic of Bulgaria – the Bulgarian lev. Since 1 January 1999 the exchange rate of the Bulgarian lev has been pegged to the exchange rate of the Euro in a ratio of EUR 1 = BGN 1.95583.

These consolidated financial statements have been prepared in thousands of Bulgarian leva (BGN'000).

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**Comparative data**

The Group presents comparative data in these financial statements for one previous year (period). Where necessary, comparatives are reclassified (and restated) in order to achieve comparability with any changes in the current year's presentation.

**3. Significant accounting policies**

**(a) Foreign currency transactions**

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the closing exchange rate prevailing on the date of preparation of the statement of financial position. Foreign exchange gain or loss originating from monetary items is the difference between the amortised cost in the functional currency at the beginning of the period adjusted by the effective interest and the payments over the period and the amortised cost in foreign currency translated at the exchange rate at end of the period.

Non-monetary assets and liabilities that are measured in terms of fair value in a foreign currency are translated using the exchange rate at the date of measurement of the fair value. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Any foreign exchange differences, which occur upon translation into the functional currency, are reported as profits and losses, except for differences arising on the translation into the functional currency of available-for-sale equity instruments or eligible cash flow hedges that are recognised in other comprehensive income (if any).

**(b) Property, plant and equipment**

**(i) Recognition and measurement**

*Initial recognition*

Items of property, plant and equipment are measured initially at cost, which comprises all directly attributable costs of acquisition of the asset.

The cost comprises the asset's purchase price, including any import duties and non-refundable purchase taxes, and any costs directly incurred in bringing the asset to its location and working condition necessary to prepare the asset for its intended use.

The cost of self-constructed assets includes the cost of materials, direct labour and the appropriate proportion of indirect production overheads; costs directly incurred in bringing the asset to its location and working condition necessary to prepare the asset for its intended use; initial estimate of the costs of dismantling and removing the assets, and restoring the site on which they are located, and capitalised interest expenses. Software acquired without which it is impossible to operate equipment purchased is capitalised as part of the equipment.

When items of property, plant and equipment contain components with different useful lives, they are reported separately.

*Subsequent recognition*

Subsequent to initial acquisition, fixed tangible assets are carried under the revaluation model of IAS 16. The fair value of fixed tangible assets is determined on the basis of market evidence presented in a report prepared by an approved licensed valuer. Revaluation is scheduled to take place every 3 years. When the fair value changes significantly over a shorter period of time, the revaluation may be made more often to ensure that their carrying amount at the relevant reporting date does not materially differ from their fair value. Gains or losses on derecognition of certain assets from the group of property, plant and equipment are determined by comparing the proceeds to which the Group expects to be entitled (sales revenue) with the carrying amount of the asset at the date the purchaser acquires the control over the asset. The proceeds are recognised net in other operating income, net on the face of the statement of comprehensive income. When the revalued assets are sold or derecognised on other grounds, the amounts included in the revaluation reserve are reclassified to retained earnings or losses.

**(ii) Subsequent costs**

Subsequent costs of replacing part of the property, plant and equipment are capitalised to the carrying amount of the relevant asset only to the extent that it is probable that economic benefits originating from that part of the asset will flow to the company and the expenditure can be measured reliably. Current repairs and maintenance are recognised as an expense when incurred.

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**(iii) Depreciation**

An item of property, plant and equipment is depreciated from the date on which it is installed and ready for use, or for the self-constructed assets, from the date on which the asset is completed and ready for use. Depreciation charges are recognised up to the amount of the asset's original value minus the estimated residual value of the asset based on the straight-line method over the estimated useful life of each component of property, plant and equipment. Depreciation charges are recognised through profit or loss unless they are included in the carrying amount of another asset. Assets acquired under leases are depreciated over the shorter of the estimated useful life of the asset and the lease term, unless it is virtually certain that the ownership of the asset will be acquired by the end of the lease term. Land is not depreciated.

Depreciation rates are defined as follows:

	<b>2020</b>	<b>2019</b>
	<b>Annual depreciation rate, %</b>	<b>Annual depreciation rate, %</b>
Buildings and facilities	1.5	1.5
Plant and equipment	8	8
Motor vehicles	10	10
Hardware	33.3	33.3
Fixtures and fittings	10	10
Other fixed assets	4 – 10	4 – 10

The methods of depreciation, useful lives and assets residual values (if not immaterial) are reviewed at each date of preparation of financial statements.

**(c) Intangible assets**

**(i) Goodwill**

Goodwill is the excess of the acquisition cost (consideration paid) over the fair value of the Group's share of the net identifiable assets of the acquiree at the acquisition date (business combination).

Goodwill arising on the acquisition of a subsidiary is presented in the consolidated statement of financial position in the Intangible Assets group.

In the consolidated financial statements, goodwill is measured initially at acquisition cost (cost) and subsequently, at acquisition cost less any accumulated impairment losses. Goodwill is not amortised.

**(ii) Intangible assets, other than goodwill**

Intangible assets consist of trademarks, licenses, software, and other intangible assets.

Intangible assets acquired by subsidiaries that have a limited useful life are carried at cost less accumulated amortisation and any impairment losses.

The carrying amount of intangible assets is tested for impairment when events or changes in circumstances indicate that the carrying amount could exceed their recoverable amount. If this is the case, the impairment is included as amortisation costs in the consolidated statement of comprehensive income (through profit or loss for the year). Intangible assets are derecognised from the consolidated statement of financial position when they are permanently retired and no future economic benefit is expected from their disposal, or when they are sold. Gains or losses on disposal of individual assets in the Intangible Assets group are determined by comparing disposal proceeds and the asset's carrying amount at the date of sale. They are stated net to Other operating income / (losses), net on the face of the consolidated statement of comprehensive income (through profit or loss for the year).

Gains or losses on derecognition of certain assets from the group of intangible assets are determined by comparing the proceeds to which the Group expects to be entitled (sales revenue) with the carrying amount of the asset at the date the purchaser acquires the control over the asset. The proceeds are recognised net in other operating income, net on the face of the statement of comprehensive income (profit or loss for the year).

**(iii) Subsequent costs**

Subsequent costs are capitalised only when they increase the future economic benefit from the specific asset to which they relate. Any other costs, including costs of internally generated goodwill and trademarks, are recognised as an expense when incurred.

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*(iv) Amortisation*

Intangible assets, other than goodwill and trademarks, are amortised on a straight-line basis in profits and losses over the estimated useful economic life from the date on which they are ready for use.

	<b>2020</b>	<b>2019</b>
	<b>Annual amortisation</b>	<b>Annual amortisation</b>
	<b>rate, %</b>	<b>rate, %</b>
Intellectual property rights	15	15
Industrial property rights	15	15
Other intangible assets	6.67 – 33.3	6.67 – 33.3

The methods of amortisation, useful lives and assets residual values are reviewed at each date of preparation of financial statements.

**(d) Investments**

The long-term investments representing investments in financial instruments are presented in the financial statements at acquisition price (cost), which is:

- the fair value of the consideration paid for the acquisition of shares and / or
- the value of the paid-up monetary shareholding and / or
- the value of the shares contributed in-kind against the shares issued, which value is determined by appraisers appointed by the court, incl. the direct costs of acquiring the investment, less any impairment losses.

Investments in financial instruments held by the Group are subject to impairment testing. When there are conditions and indications of impairment, it is calculated as the difference between the investment's carrying amount and its recoverable amount and is recognised in the statement of comprehensive income (through profit or loss for the year). In case of subsequent reversal of impairment, it is recognised in the statement of comprehensive income (through profit or loss for the year).

These investments are not listed on the stock exchange. Therefore, it is not possible to ensure quotations for market prices on an active market that to give a sufficiently reliable fair value of these shares.

Investments are derecognised when the entity transfers the rights originating from the asset to other persons when the legal grounds for that arise and thus control on the economic benefits from the respective specific type of investment is lost.

**(e) Investment property**

Investment property is held to earn rentals and/or for capital appreciation. Initially, investment property is recognised at acquisition cost plus any costs related to its acquisition. Subsequent to initial recognition, investment property is measured under the fair value model in accordance with IAS 40 Investment Property. Gains or losses due to changes in the fair value are included in profit or loss in the period in which they have occurred.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from the disposal of investment property is recognised through profit or loss in the current period. They are stated net to the Other operating income / (loss), net in the consolidated statement of comprehensive income (through profit or loss for the year). Transfers from and to Investment property are made when there is a change in the functional purpose and use of a property. In the case of a transfer from Investment property to Business-occupied property, in its new group the asset is carried at its deemed historical cost that is its fair value at the date of the transfer. Conversely, when there is a transfer to Investment property from Business-occupied property, the asset is measured at its fair value at the date of the transfer and the difference to its carrying amount is presented as a component of the consolidated statement of comprehensive income.

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**(f) Inventories**

Inventories are valued at the lower of cost and net realisable value.

Cost of inventories - materials and work in progress - is reported on a weighted average cost basis and comprises costs of acquiring the inventories, costs of production or processing, and any other costs incurred in bringing the inventories to their current location and condition. In the case of manufactured products, the cost also includes costs of labour, social security expenses, depreciation / amortisation expenses, and other overheads allocated on the basis of normal production capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

An entity recognises a biological asset or agricultural produce if and only if:

- a.) the entity controls the asset as a result of past events;
- b.) it is probable that the future economic benefits associated with the asset will flow to the entity; and
- c.) the asset's fair value or cost can be measured reliably.

Upon initial recognition and at the date of each balance sheet, a biological asset is measured at fair value, less costs to sell.

A gain or loss that has occurred on initial recognition of a biological asset at fair value less costs to sell the biological asset is recognised through profit or loss for the period in which it has occurred.

Grants provided by the State in relation to a biological asset are recognised through profit or loss only when it is possible to obtain these grants..

**(g) Impairment of non-financial assets**

The book values of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist, then the asset's recoverable amount is estimated. For intangible assets with indefinite useful life or not yet brought into use, the recoverable amount is estimated annually. An impairment loss is recognised always when the carrying amount of an asset or a cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised through profit or loss. Impairment losses recognised with respect to CGUs are allocated to reduce the carrying amount of the assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised.

**(h) Trade and other receivables**

Trade receivables are an unconditional right of the Group to receive remuneration under contracts with customers and other contractors.

**Initial recognition**

Initially, trade receivables are presented and measured at fair value based on the transaction price, which value is usually equal to the invoice amount, unless they contain a significant financing component that is not charged additionally. If this is the case, they are recognised at their present value calculated at a discount rate equal to the interest rate that is considered inherent to the debtor.

**Subsequent measurement**

The Company holds trade receivables solely for the purpose of collecting contractual cash flows and measures them subsequently at amortised cost less the accumulated impairment for expected credit losses.

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**Impairment**

The Group applies the lifetime expected credit losses model for its trade receivables using the simplified approach required by IFRS 9. The expected credit loss from receivables is stated as Impairment of assets in the statement of comprehensive income.

**(i) Cash and cash equivalents**

Cash comprises cash on hand and cash in current accounts, and cash equivalents comprises deposits with banks with an original maturity of three months or less, and deposits with longer maturity that are freely disposable by the Group in accordance with the arrangement with bankers during the term of the deposit.

**Subsequent measurement**

Cash and cash equivalents in banks are measured subsequently at amortised cost, less any accumulated impairment for expected credit losses.

**For the purposes of the preparation of the cash-flow statement:**

- cash equivalents from customers and cash payments to suppliers are presented gross, VAT inclusive (20%);
- interest received on current accounts are presented as operating activity;
- VAT paid under purchases of long-term assets is specified on the “payments to suppliers” line to the cash-flows from operating activity, as long as it is included into and recovered together with the operating flows of the Group for the respective period (month).

**(j) Financial instruments**

A financial instrument is each contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

**Financial assets**

Initial recognition, classification and measurement

On initial recognition, financial assets are classified in three groups according to which they are subsequently measured at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss.

The Group initially measures financial assets at fair value and, in the case of financial assets which are not carried at fair value through profit or loss, plus the direct transaction costs. Trade receivables that do not contain a significant financing component are an exception - they are measured on the basis of the transaction price determined in accordance with IFRS 15.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade (transaction) date, i.e., the date that the Group commits to purchase or sell the asset.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

**Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments)

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- Financial assets at fair value through profit or loss (debt and equity instruments).

**Classification groups**

**Financial assets at amortised cost (debt instruments)**

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held and used within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest method. They are subject to impairment. Gains and losses are recognised in the statement of comprehensive income.

The Group's financial assets at amortised cost include cash and cash equivalents, trade receivables, loans to related parties and loans to third parties.

**Financial assets at fair value through other comprehensive income (debt or equity instruments)**

The Group has no such assets.

**Financial assets at fair value through profit or loss**

The Group has no such assets.

**Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's statement of financial position) when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

**Expected credit loss on financial assets**

The Group recognises an allowance (impairment provision) for expected credit losses for all debt instruments not held at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For the purposes of calculation of expected credit losses on loans to related and third parties, and cash and cash equivalents with banks, the Group has adopted the general approach to impairment as set by IFRS 9. According to this approach, the Group applies a three-stage impairment model based on changes compared to the initial recognition of the financial instrument's credit quality.

Expected credit losses are recognised in two stages.

a. A financial asset that has not been credit impaired at its initial origination/acquisition is classified in phase 1. Since its initial recognition, its credit risk and qualities are subject to continuous monitoring and analyses. The expected credit losses on financial assets classified in Phase 1 are determined on the basis of expected credit losses resulting from possible default events which could occur within the next 12 months of the life of the asset concerned (12-month expected credit losses for the instrument).

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b. In cases where, after initial recognition of a financial asset, its credit risk increases significantly and as a result its qualities deteriorate, it is classified in phase 2.

Expected credit losses on financial assets classified in phase 2 are determined over the remaining life (term) of the relevant asset (lifetime expected credit losses for the instrument).

The Group's management has developed a policy and a set of criteria for analysis, identification and evaluation of the occurrence of a status of a "significant increase in credit risk".

In cases where the credit risk of a financial asset increases to a level indicating that an event of default has occurred, the financial asset is considered to be impaired and it is classified in phase 3.

At this stage, losses incurred by the relevant asset for its entire remaining lifetime (term) are established and calculated.

The Group adjusts expected credit losses based on historical data using forecast macroeconomic indicators that are found to be correlated and are expected to affect the amount of the expected credit losses in the future.

In calculating expected credit losses on trade receivables, assets under contracts with customers and lease receivables, the Group applies a simplified approach to calculate expected credit losses and does not follow subsequent changes in their credit risk. According to this approach, the Group recognises an allowance (impairment provision) based on the expected credit loss over the entire period of the receivables at each reporting date.

**Financial liabilities**

**Initial recognition, classification and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, trade and other payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities comprise trade and other payables, loans, lease liabilities, and other borrowings.

**Subsequent measurement**

The subsequent measurement of financial liabilities depends on their classification.

**Classification groups**

**Financial liabilities at fair value through profit or loss**

The Group has no such liabilities.

**Loans and other borrowings**

After initial recognition, interest-bearing loans and borrowings are subsequently measured by the Group at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when the relevant financial liability is derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition, and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the statement of comprehensive income (in the profit or loss for the year).

**Derecognition**

Financial liabilities are 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. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

**Offsetting of 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 assets and settle the liabilities simultaneously.

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This requirement derives from the idea of the real business nature of the group's relationship with a counterparty that, in the simultaneous existence of these two requirements, the expected actual cash flow and benefits from these estimates to the enterprise is the net flow, i.e. the net amount reflects the actual right or liability of the Group originating from these financial instruments – in any case, its right to receive or pay only the net amount. If both conditions are not met simultaneously, it is assumed that the rights and obligations of the Group in respect of these counter-balances (financial instruments) are not covered only and solely by the receipt or payment of the net amount.

The netting policy is also linked to the assessment, presentation and management of the actual credit and liquidity risks associated with these counter-balances.

Criteria applicable to establishing the existence of a current and legally enforceable netting right are as follows: not to depend on future event, i.e. it shall be enforceable not only if a particular future event occurs; it should be possible to exercise the right and to defend it by employing legal means in the course of (taken cumulatively):

- the ordinary activity,
- in case of default/delay, and
- in case of bankruptcy and insolvency.

The applicability of criteria shall be assessed against the requirements of Bulgarian legislation and the established arrangements between the parties. The condition for *the existence of a current and legally enforceable netting right* is always and mandatorily assessed together with a second condition: *for the existence of obligatory intention to settle these balances on a net basis*.

**(k) Interest-bearing loans and other financial resources provided**

Loans and other financial resources are presented initially at an acquisition price which is considered fair value of consideration given in a transaction, net of direct costs associated with these loans and resources. Subsequent to initial recognition, interest-bearing loans and borrowings, and other resources given, are measured subsequently and presented in the statement of financial position at amortised cost determined by applying the effective interest rate method. The amortised cost has been calculated by taking into account of all types of charges, commissions and other amounts relating to these loans.

Gains and losses are recognized in the statement of comprehensive income as finance income or finance costs during the amortisation period.

Interest income is presented depending on the phase in which the relevant loan or other receivable on financial resource granted, as the case may be, has been classified using the effective interest rate method.

**(l) Trade and other payables**

Trade and other current liabilities in the statement of financial position are stated at cost of acquisition, which is deemed to be the fair value of the transaction and will be paid in future against the goods and services received. In cases of deferred payments beyond the usual credit term on which no additional payment of interest is envisaged or interest is quite different from the usual market interest rate, the liabilities are initially assessed at their fair value at the discount rate inherent to the Group, and subsequently, at amortised cost.

**(m) Employee benefits**

**(i) Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions to a separate entity and has no legal or constructive obligations to pay further amounts. The Government of Bulgaria is responsible for providing pensions in Bulgaria under defined contribution plan. The Group's contributions to the defined contribution pension plan are recognised as incurred through profit or loss. Contributions to a defined contribution plan past due for more than 12 months following the period of provision of services are discounted to their present value.

**(ii) Defined benefit plans**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

The Group has an obligation to pay termination benefits to those employees who retire in accordance with Art. 222, § 3 of the Bulgarian Labour Code. According to these Labour Code provisions, when a labour contract of an employee, who has acquired a pension right, is ended, the employer is obliged to pay him or her compensations amounting to two months' gross salaries. Where the employee has been with the same employer for the past 10 years or more, this employee is entitled to a compensation amounting to six months' gross salaries. At the date of these

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financial statements, management estimated the potential expenses for all employees using the projected credit unit method.

**(iii) Termination benefits**

Termination benefits are recognised as an expense where the Group has clearly committed, without realistic possibility of withdrawal, to a formal detailed plan either to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made a formal offer of voluntary redundancy, and it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, they are discounted to their present value.

**(iv) Short-term employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are accounted for as an expenditure, as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the liability can be estimated reliably. The Group recognises as a liability the undiscounted amount of the estimated costs related to annual leave expected to be paid in exchange for the employee's service for the past reporting period.

**(n) Provisions**

Provisions are recognised when the Group has a present legal or constructive liability as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the liability. Provisions are determined by discounting the estimated future cash flows with a pre-tax interest rate that reflects the time value of money and the risks specific to the liability. Interest accrued on the discounted value is recognised as finance costs.

**Onerous contracts**

Provision for onerous contracts is recognised when the economic benefits expected to be received by the Group under it are lower than the unavoidable costs of meeting the obligations under the contract. This provision is measured at the present value of the lower of the two values: the costs of exiting from the contract and the estimated net costs of continuing it. Prior to the establishment of the provision, the Group recognises impairment losses on assets related to this contract.

**(o) Revenue**

**Recognition of revenue from contracts with customers**

The Group's usual revenue originates from the following activities: sale of products, goods and services. The Group's revenue is recognised when the control over the goods and/or services promised in the contract with the customer is transferred to the customer. The control is transferred to the customer upon satisfaction of the performance obligations under the contract by transferring the promised goods and/or providing the promised services.

**Measurement of a contract with a customer**

There is a contract with a customer if:

- the contract has been approved by the parties;
- each party's rights can be identified;
- the payment terms can be identified;
- the contract has a commercial substance;
- the collection of the consideration is probable after the goods and services have been transferred.

If a contract does not yet meet any of the above criteria, the entity will continue to re-assess the contract in every reporting period. The consideration received under such a contract is recognized as a liability (a contract liability) in the statement of financial position until all criteria for recognition of a contract with a customer are satisfied and the Group performs its obligations. In the initial assessment of its contracts with customers, the group makes further analysis and judgement whether two or more contracts must be considered as combination and be accounted for as one. Each promise to transfer goods and/or services that are identifiable, or a series of identifiable goods and services that are identical in substance, is reported as a single performance obligation. The Group recognises income for each individual performance obligation at the level of an individual contract with a customer by analysing the type, duration and terms and conditions of each specific contract.

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**Measurement of revenue from contracts with customers**

Revenues is measured on the basis of the transaction price determined for each contract. The transaction price is the amount of consideration to which the group expects to be entitled, excluding amounts collected on behalf of third parties. When determining the transaction price, the group takes into account the terms and conditions of the contract and customary business practices, including the impact of variable consideration, the existence of a significant financing component, non-cash consideration, and consideration payable to the customer. In the case of contracts with more than one performance obligation, the transaction price is allocated to each performance obligation based on the individual selling prices of each good or service.

The change in the contract scope and price is reported as a separate contract or as part of an existing contract, depending on whether the change relates to adding identifiable goods and services as also on their price.

**Performance obligations under contracts with customers**

Revenue generated by the Group originates mainly from the sale of products, goods and services. In general, the Group has concluded that it acts as a principal in its arrangements with customers as it typically controls the goods and services before transferring them to the customer.

**Revenue from sale of goods**

Upon its sale, the control of the good is transferred to the customer at a particular point in time, which is usually when the good is delivered to a client's site.

**Revenue from sale of services**

Services provided by the Group consist of transport services and rents. The control of the services is transferred at the time of their provision. Sales revenue is measured over time by measuring the stage of performance of the group's Liabilities (a stage of completion). To measure the stage of completion, the Group applies the straight-line method. The assessments of income, expenses, and stage of completion are re-reviewed if circumstances change. Each subsequent increase or decrease in estimated income and expenses is recognized through profit or loss in the period in which the circumstances having necessitated the re-review become known to management.

**Transaction price and terms of payment**

The transaction price normally includes a fixed selling price, according to a general or customer price list, and different forms of variable consideration. In determining the price of the transaction, amounts due to the customer, non-cash consideration and the existence of a significant financial component are also taken into account.

**Variable consideration**

The variable consideration is included in the transaction price only to the extent that it is very likely that there will be no substantial adjustment in the amount of revenue recognised cumulatively. The forms of variable consideration include: price discounts, rebates, bonus turnover, logistics bonus, marketing bonus. The discounts, rebates and bonuses granted are compensated against the amounts due by the customer.

**Significant financial component**

The Group has conducted an analysis and has determined that the length of time between the time the customer pays for the promised goods and services and the time of transfer of control of these goods and services is within twelve months, and the agreed consideration does not have a significant financing component. The advance payments collected by the customer are presented in the statement of financial position as liabilities under contracts with customers.

**(p) Leases**

*The Group as a lessee*

*Assessment for measurement of a lease*

A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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*Initial recognition and measurement*

At the commencement date of the lease (the date on which the underlying assets is available for use) the Group recognises a right-of-use asset and a lease liability.

The cost of acquisition of a right-of-use assets included:

- the initial amount of the lease liability;
- any lease payments made as of or before the commencement date, minus any incentives received under the lease contract;
- lessee's initial direct costs;
- provisions for costs of decommissioning and shifting the asset.

The Group amortises right-of-use assets on a straight-line basis over the shorter of their useful lives and the lease term.

The right-of-use assets are presented under the heading of Property, plant and equipment in the statement of financial position, and their depreciation – under the heading of Depreciation expenses in the statement of comprehensive income.

The lease liability includes the net present value of the following lease payments:

- fixed payments less leasing incentives to be paid;
- variable lease payments based on indices or rates;
- the price for exercising the purchase option if it is reasonably certain that the Group will exercise that option;
- payments of penalties for termination of the lease;
- residual value guarantees.

Lease payments are discounted at the interest rate set out in the contract if it can be directly determined or at the Group's differential interest rate reflecting the interest rate that would be applicable to borrowings having a similar term, similar collateral, and in a similar economic environment.

Lease payments comprise, in a certain proportion, of finance costs (interest) and the attributable portion of the lease liability (principal) so that to achieve a constant interest rate for the remaining unpaid portion of the principal of the lease liability.

*Subsequent measurement*

The Group has chosen to apply the cost model to all its right-of-use assets. They are presented at cost less accumulated depreciation, impairment losses and adjustments resulting from revaluations and adjustments to the lease liability.

The Group subsequently measures the lease liability by:

- increasing the carrying amount to reflect the interest accrued;
- reducing the carrying amount to reflect the lease payments made;
- reassessing the carrying amount of the liabilities to reflect the revaluation or changes to the lease.

*Reporting of revaluations and amendments to the lease contract*

As a result of a revaluation, the lessee recognises the amount of the revaluation of the lease liability as an adjustment in the right-of-use asset. If the carrying amount of the asset is lower, the revaluation residual amount is recognized in profit or loss.

The lessee considers a change in the lease as a separate lease if:

- the amendment extends the scope of the lease by adding a new "right of use" to one or more additional underlying assets; and
- the lease fee is increased by an amount corresponding to the stand-alone price for the increase in scope and any adjustments reflecting the circumstances of the specific contract. Short-term lease payments and payments under contracts where the underlying asset is a low-value asset, as well as variable lease payments not included in the measurement of the lease liability, are recognised directly as current expenses in the statement of comprehensive income on a straight-line basis over the lease term.

*The Group as a lessor*

IFRS 16 does not change substantially the accounting of lease for lessors. They continue to classify each lease as financial or operating lease, applying in practice rules similar to those in IAS 17, which are transferred, in their substance, to the new IFRS 16.

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**(q) Finance income and finance costs**

Finance income is reported in the statement of comprehensive income (in the profit or loss for the year), when occurs, and comprises of: interest income on loans granted and term bank deposits, interest income on receivables, and net foreign exchange gains.

Finance income is presented separately from finance costs on the face of the statement of comprehensive income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets in phases 1 and 2. Interest income on financial assets in phase 3 is calculated by applying the effective interest rate to their amortised cost (i.e. the gross carrying amount adjusted by expected credit losses).

Foreign currency gains and losses are reported net as either finance income or finance costs depending on whether the foreign currency differences represent a net gain or a net loss.

Finance costs include interest expenses on loans and expenses incurred as a result of an increase in the obligation due to approaching with one period the date set for implementation of provisions.

Borrowing costs that cannot be attributed directly to the acquisition, construction or production of an eligible asset are recognised through profit or loss using the effective interest rate method.

**(r) Income tax**

Income tax for the year consists of current and deferred taxes. Income tax is recognised in profit and loss, except to the extent that it relates to business combinations or items recognised directly in equity or in other comprehensive income.

Current income tax is the expected tax payable on the taxable profit or loss for the year, using the tax rates that are enacted or substantially enacted by the reporting date, and any adjustments to tax payable in respect of previous years. Current income tax includes also any tax effects from dividends.

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is recognised for all temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither the accounting nor taxable profit nor loss.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxation authority.

Deferred income tax assets are recognised for all unused tax losses, credits and deductible temporary differences to the extent that it is probable that taxable profit will be available against which they can be utilised. Deferred income tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that future benefits will be realised.

In assessing its current and deferred taxes the Group takes into account the effect of uncertain tax items and whether additional taxes or interest might be due. The Group is of the opinion that the tax liability accruals are adequate for all open tax years based on an assessment of lots of factors, including interpretation of tax laws and previous experience. The assessment is based on estimates and assumptions and may include judgements for future events. New information may appear as well, according to which the Group may change its judgements on the adequacy of the existing tax liabilities; any such changes in the tax liabilities would affect the tax expense for the period in which such assessment is made.

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**(s) Key estimates and assumptions**

**Calculation of expected credit losses on loans granted, trade receivables and assets under contracts with customers**

The measurement of the expected credit loss for financial assets carried at amortised cost (loans granted, receivables and assets under contracts with customers) is an area, which requires the use of significant assumptions about future economic conditions and credit behaviour of customers and debtors (for example, the likelihood of counterparties not fulfilling their obligations and the resulting losses).

Aiming at achieving compliance with these requirements, the Group's management makes a number of important judgments, such as:

- (a) defines criteria for identifying and evaluating a significant increase in credit risk;
- (b) selecting appropriate models and assumptions for measuring expected credit losses;
- (c) formation of groups of similar financial assets (portfolios) for the purpose of measuring expected credit losses,
- (d) establishing and evaluating the correlation between historical default rates and behaviour of certain macroeconomic indicators to reflect the effects from forecasts in future when calculating expected credit losses.

**Estimates when recognising revenue from contracts with customers**

When recognising revenue and preparing the annual financial statements, management makes different judgements, estimates and assumptions, which influence the reported income, expenses, assets and liabilities under contracts, and their corresponding disclosures. Despite the uncertainty regarding these assumptions and estimates, the Group does not expect substantial adjustments to the carrying amount of the assets and liabilities in the future, and respectively, the reported costs and revenue.

**Impairment of inventories**

At the end of each financial year, the Group reviews the condition and usability of available inventories. When inventories are identified that are potentially unlikely to be realized at their current carrying amount in subsequent reporting periods, the entity impairs the inventories to net realizable value. Inventories in stock but expired are impaired 100%.

**Useful life of fixed assets**

The Group examines the estimated useful lives of Property, plant and equipment and Intangible assets at the end of each reporting period.

**Lease contracts**

The application of IFRS 16 requires the Group's management to make judgments, estimates and assumptions that have an impact on the reported intangible assets and lease liabilities. The main key considerations concern the determination of an appropriate discount rate and the determination of the lease term, including whether it is sufficiently certain that the options for extending / terminating the contract term will be exercised. Uncertainties regarding these assumptions and estimates may result in significant adjustments in the future to the carrying amount of the assets and liabilities concerned, and respectively, reported expenses and revenue.

**Goodwill** - It is tested for impairment annually and when circumstances indicate that its value may be overestimated. Impairment of goodwill is determined by measuring the recoverable amount of each cash-generating unit (or a group of cash-generating units) to which goodwill relates. When the recoverable amount of the cash-generating unit is less than its carrying amount, an impairment loss is recognised. Impairment losses associated with goodwill cannot be recovered in future periods.

**Trademarks** - At the end of each financial year, the Group reviews the impairment of trademarks. Where the recoverable amount of the trademark is less than its carrying amount, an impairment loss is recognised. Impairment losses associated with trademarks cannot be recovered in future periods.

**Recognition of tax assets** - When recognising deferred tax assets, it is assessed the probability that individual deductible temporary differences will reverse in the future and the ability of each of the Group companies to generate sufficient tax profits to offset them against those profits.

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**(t) Subsidiaries**

Subsidiaries and entities, including unincorporated partnerships, where the parent company holds, directly or indirectly, more than 50% of the votes in the General Meeting (share capital) and/or the right to appoint more than 50% of the Board of Directors of the entity, or by virtue of a written control agreement concluded between the shareholders it is able to exercise control over the entity's financial and operating policies (including by virtue of a control agreement concluded between the shareholders).

Subsidiaries are consolidated from the date that effective control is acquired by the Group and cease to consolidate from the date that control is deemed to have ceased and is transferred outside the Group. For their consolidation, the full consolidation method is applied.

**(u) Consolidation principles**

**Consolidation of subsidiaries**

In preparing consolidated financial statements, the financial statements of the parent and its subsidiaries are combined on a line-by-line basis by applying consistent accounting policies to all significant items. The parent company's investments are eliminated against the share in the equity of the subsidiaries at the date of acquisition. Intragroup transactions and balances and resulting unrealised profits are eliminated in full. Upon these eliminating consolidation entries, the deferred tax effect has been taken into account.

**Business combinations**

Business combinations are accounted for by the Group using the acquisition method at the date the Group acquires control. The cost of acquisition is measured as the aggregate of the assets transferred, measured at fair value, the liabilities assumed to the previous owners, and the amount of any interest in the Group's capital. The consideration transferred consists of the fair value of all assets or liabilities originating from arrangements to transfer contingent consideration. Identifiable net assets acquired and liabilities assumed are measured at the fair value at the date of acquisition. Acquisition costs are expensed when incurred.

**Non-controlling interest**

For each business combination, the Group chooses to measure the non-controlling interest in the acquiree on the basis of:

- fair value; or
- the proportion of identifiable net assets at the acquisition date, which is generally measured at fair value.

Changes in the Group's share of a subsidiary that do not result in a loss of control are recognised in equity. Changes in non-controlling interest are determined on the basis of the proportional share of the net asset of the subsidiary. Changes in goodwill or gains or income on acquisition are not made.

**Acquisitions of companies under common control**

Acquisition under common control is a transaction in which the participating companies or businesses are controlled by the same person or persons, both before and after the transaction. These transactions arise when there is a change of the direct owner of the subsidiaries but the ultimate controlling entity remains unchanged.

Where the consideration transferred is less than the fair value of the identifiable net assets acquired, the difference is recognised in equity as contributions from the shareholders of the acquirer. Where the consideration transferred exceeds the fair value of the identifiable net assets acquired, the difference is recognised as a reserve from transformation in the consolidated statement of financial position.

**Provisional accounting for of acquisitions**

The Group applies provisional accounting for of acquisitions on the assumption that accounting for the acquisition for some amounts may be incomplete. Adjustments made in accounting for the acquisition during the measurement period may affect the recognition and measurement of assets acquired and liabilities assumed, non-controlling interests, consideration transferred, all existing interests in the acquiree before acquisition, and goodwill arising or the amount of the bargain purchase gain recognised. During the assessment period, the acquirer retrospectively adjusts the amounts recognised at the acquisition date on a pro-rata basis that result from new information about facts and circumstances that existed at the acquisition date and, if known, the ones that have affected the amount recognised at that date. The measurement period ends when the acquirer obtains all the information necessary to record fully the acquisition or finds out that additional information is not available and may not exceed one year from the acquisition date. Adjustments made during the measurement period are recognised retrospectively, and

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comparative information is adjusted, i.e. as if the business combination had been recognised fully at the acquisition date.

**(v) New standards and interpretations**

During the current year, the Company has adopted all new and amended IFRSs, which are related to its activities and are effective for the reporting period beginning on January 1, 2020.

**Standards and interpretations issued by the IASB not yet adopted by the EU:**

Currently, the IFRS adopted by the EU do not differ significantly from those adopted by the IASC, except for the following new standards, amendments to existing standards and new interpretations, which have not been adopted by the EU yet as at the date of approval of these financial statements (the dates of entry into force specified below refer to the complete IFRS):

**IFRS 17 Insurance Agreements** (effective for annual periods beginning on or after 1 January 2021) - Management does not expect that the adoption of this standard will have a significant effect on the financial statement of the Group.

**Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current** - Management does not expect that these amendments will have a significant impact on the financial statement of the Group.

**Amendments to IFRS 3 Business Combinations** (effective for annual periods beginning on or after 01 January 2020) - Management does not expect that the adoption of these amendments will have a significant effect on the financial statement of the Group.

**Amendments to IFRS 16 “Leasing” Discussions Found in Relation to Covid-19** (effective for annual periods beginning on or after 1 June 2020) - The guidance is not applied to these stories to have significant effects on the Group's financial statements.

**Amendments to IFRS 4 Insurance Contracts - deferral of IFRS 9** (effective for annual periods beginning on or after 1 January 2021) - The guidance is not applied to these histories to have significant effects on the Group's financial statements.

The Group expects the adoption of these standards, amendments and interpretation will not have a significant effect on the Group separate consolidation financial statement during their initial implementation.

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**4. Property, plant and equipment**

<i>In BGN'000</i>	Land	Buildings	Plant and equipment	Facilities	Motor vehicles	Fixtures and fittings and other fixed assets	In the process of acquisition and construction	Total
<b>Cost</b>								
<b>Balance at 31 December 2019</b>	<b>17 257</b>	<b>97 167</b>	<b>47 498</b>	<b>27 679</b>	<b>16 376</b>	<b>3 493</b>	<b>1 620</b>	<b>211 090</b>
Additions	-	-	222	59	365	156	7 873	8 675
Transfers	-	2 402	996	1 322	97	229	(5 046)	-
Disposals	-	-	(44)	-	(1 245)	(8)	-	(1 297)
<b>Balance at 30 Sep. 2020</b>	<b>17 257</b>	<b>99 569</b>	<b>48 672</b>	<b>29 060</b>	<b>15 593</b>	<b>3 870</b>	<b>4 447</b>	<b>218 468</b>
<b>Balance at 31 December 2019</b>								
	-	(3 677)	(9 452)	(1 003)	(9 932)	(2 503)	-	(26 567)
Depreciation charge for the period	-	(798)	(2 858)	(316)	(864)	(203)	-	(3 389)
Disposals	-	-	9	-	1 1208	8	-	1 203
<b>Balance at 30 Sep. 2020</b>	<b>-</b>	<b>(4 475)</b>	<b>(12 301)</b>	<b>(1 319)</b>	<b>(9 588)</b>	<b>(2 698)</b>	<b>-</b>	<b>(30 381)</b>
<b>Net book value</b>								
At 31 December 2019	<b>17 257</b>	<b>93 490</b>	<b>38 046</b>	<b>26 676</b>	<b>6 444</b>	<b>990</b>	<b>1 620</b>	<b>184 523</b>
At 30 September 2020	<b>17 257</b>	<b>95 094</b>	<b>36 371</b>	<b>27 741</b>	<b>6 005</b>	<b>1 172</b>	<b>4 447</b>	<b>188 087</b>

It is a policy of the Group to measure subsequently the items of Property, plant and equipment under the revaluation model of IAS 16 „Property, plant and equipment“. The Group intends to revalue its fixed assets every three years with the last one being carried out in 2017 when an external expert was hired – Intellect – Diamandiev & Co. When assessing the value, the valuer has applied a method according to which the valuation is a combination of the item’s value when it is new and then, the value is decreased by wear and tear and impairment due to construction defects and damages.

The Group has established a registered pledge over buildings, plant and equipment in connection with loan contracts (see Note 19).

**5. Intangible assets**

Intangible assets comprise trademarks, software, certificates, permits, etc.

<i>In BGN'000</i>	Trademarks	Software	Leasehold improvements	Licenses and others	Total
<b>Cost</b>					
<b>Balance at 31 December 2019</b>	<b>53 273</b>	<b>66</b>	<b>783</b>	<b>516</b>	<b>54 638</b>
Additions	-	8	-	82	90
<b>Balance at 30 September 2020</b>	<b>53 273</b>	<b>74</b>	<b>783</b>	<b>598</b>	<b>54 728</b>
<b>Amortization</b>					
<b>Balance at 31 December 2019</b>	<b>-</b>	<b>(58)</b>	<b>(322)</b>	<b>(247)</b>	<b>(627)</b>
Amortisation charge for the period	-	(16)	(88)	(17)	(121)
<b>Balance at 30 September 2020</b>	<b>-</b>	<b>(74)</b>	<b>(410)</b>	<b>(264)</b>	<b>(748)</b>
<b>Net book value</b>					
At 31 December 2019	<b>53 273</b>	<b>8</b>	<b>461</b>	<b>269</b>	<b>54 011</b>
At 30 September 2020	<b>53 273</b>	<b>-</b>	<b>373</b>	<b>334</b>	<b>53 980</b>

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On the establishment of Gradus AD and the contribution in kind of shares of Gradus-1 EOOD, identifiable intangible assets Trademarks with an unlimited useful life are recognised. They were initially recognised at fair value as determined by an independent licensed appraiser's report. The fair value of trademarks is not different from their carrying amount. The trademarks capitalised as a result of the business combinations are: "GRADUS" and "I EAT".

The Group's management conducts annually an analysis and assessment whether there were any indications of impairment of trademarks. The calculations are made by management in cooperation with independent licensed valuers. Estimates for expected cash flows were used in their calculations, based on financial budgets covering a five-year period. As of 30 June 2020 no impairments of trademarks have been accrued.

**6. Goodwill**

The acquisition of Gradus-1 EOOD, Zhyuliv EOOD, Lora-2004 EOOD, Millennium 2000 EOOD and Gradus-98 AD was made at the establishment of the capital of Gradus AD through in-kind contributions representing 100% of the share capital of Gradus-1 EOOD, Lora- 2004 EOOD and Millennium 2000 EOOD, and 99.94% of the capital of Gradus-98 AD, which have been evaluated by a licensed appraiser at the date of the transaction. The valuation method used is the asset's net value. Gradus AD was registered with the Commercial Register on 28 November 2017.

Goodwill arises when the parent company acquires control. It is defined as the excess of the consideration transferred at fair value and the non-controlling interest in the acquired entity over the fair value of the identifiable net assets therein as at the date of the acquisition. As of 30 June 2020, the goodwill amounted to BGN 20,656 thousand (31 December 2019: BGN 20,656 thousand).

Goodwill is tested for impairment annually and when circumstances indicate that its value may be overestimated. Impairment of goodwill is determined by measuring the recoverable amount of each cash-generating unit (or group of cash-generating units) to which that goodwill relates. When the recoverable amount of the cash-generating unit is lower than its carrying amount, an impairment loss is recognised. Impairment losses associated with goodwill cannot be recovered in future periods.

Gradus AD Group	Gradus-1	Zhyuliv	Lora-2004	Millennium 2000	Gradus-98	Total
Remuneration transferred	149 760	16 200	11 100	35 700	52 200	264 960
Non-controlling interest	1 514	-	-	-	31	1 545
Fair value of net assets	<u>(140 739)</u>	<u>(16 103)</u>	<u>(10 143)</u>	<u>(31 630)</u>	<u>(47 234)</u>	<u>(245 849)</u>
Goodwill	<u>10 535</u>	<u>97</u>	<u>957</u>	<u>4 070</u>	<u>4 997</u>	<u>20 656</u>

Gradus-1 EOOD Sub-Group	Gradus-1	Gradus-3	Total
Remuneration transferred	113 836	35 924	149 760
Non-controlling interest	-	1 514	1 514
Fair value of net assets	<u>(102 901)</u>	<u>(37 838)</u>	<u>(140 739)</u>
Goodwill	<u>10 935</u>	<u>(400)</u>	<u>10 535</u>

Gradus-1 EOOD holds 96% of the capital of Gradus-3 AD, the same percentage is held by Gradus AD.

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**7. Group structure**

		Effective participation of the parent company at 30.09.2020	Effective participation of the parent company at 31.12.2019
Gradus AD	Parent company	-	-
Gradus-1 EOOD (Note 6)	Subsidiary of Gradus AD	100%	100%
Zhyuliv EOOD (Note 6)	Subsidiary of Gradus AD	100%	100%
Lora-2004 EOOD (Note 6)	Subsidiary of Gradus AD	100%	100%
Millennium 2000 EOOD (Note 6)	Subsidiary of Gradus AD	100%	100%
Gradus-98 AD (Note 6)	Subsidiary of Gradus AD	99,94%	99,94%
Gradus-3 AD (Note 6)	Subsidiary of Gradus-1 EOOD	96%	96%
Gold Farm 91 EOOD (бел.15)	Subsidiary of Gradus AD	100%	100%

**8. Non-controlling interest**

	Non-controlling interest, %	Balance at 31.12.2019	Result for the period	Balance at 30.09.2020
Gradus-3 AD	4%	1 737	114	1 851
Gradus-98 AD	0,066%	28	5	33
		<b>1 765</b>	<b>119</b>	<b>1 884</b>

	Non-controlling interest, %	Balance at 31.12.2018	Result for the year	Balance at 31.12.2019
Gradus-3 AD	4%	1 636	101	1 737
Gradus-98 AD	0,066%	34	(6)	28
		<b>1 670</b>	<b>95</b>	<b>1 765</b>

**9. Investment property**

*In BGN'000*

	Land and buildings	Total
Balance at 31 December 2018	7 138	7 138
Revaluation of investment property	687	687
Transfers from Property, plant and equipment	97	97
Transfers to Property, plant and equipment	(145)	(145)
<b>Balance at 31 December 2019</b>	<b>7 777</b>	<b>7 777</b>
<b>Balance at 30 September 2020</b>	<b>7 777</b>	<b>7 777</b>

Investment property comprises land and buildings leased out. Initially, they are measured at cost and upon subsequent recognition, at fair value, determined by an independent licensed appraiser with any changes being recognised through profit or loss. The fair value reflects the actual status of the investment property under the conditions of a competitive market in the same location and condition of the property.

**10. Inventories**

*In BGN'000*

	30 Sep. 2020	31 December 2019
Main materials	24 727	28 445
Goods	2 732	12 470
Products	7 358	6 376
Animals for fattening	8 456	5 256
Work in progress	4 381	3 687
<b>Total</b>	<b>47 654</b>	<b>56 234</b>

The Group has established a registered pledge of inventories in connection with loan contracts. (See Note 19).

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**11. Trade receivables**

<i>In BGN'000</i>	<b>30 Sep. 2020</b>	<b>31 December 2019</b>
Receivables from counterparties	8 273	12 311
Advances to suppliers	12 310	4 364
<b>Total</b>	<b>20 583</b>	<b>16 675</b>

Trade receivables are current, interest-free, denominated in Bulgarian leva and relate to the sale of goods, products and services.

The Group applied the simplified approach of IFRS 9 to measure the expected credit losses on trade receivables by recognising lifetime expected losses over the expected life of the financial instrument for all trade receivables.

**12. Loans granted**

<i>B In BGN'000</i>	<b>Maturity</b>	<b>Collateral</b>	<b>Interest rate</b>	<b>30 September 2020</b>	<b>31 December 2019</b>
Company 1	2020	No	2.5%	-	3 402
Company 2	2020	No	2.5%	857	914
Company 4	2020	No	2%	-	33
Company 6	2020	No	7%	-	1
Company 7	2020	No	2%	118	139
<b>Total</b>				<b>975</b>	<b>4 489</b>

**13. Other current receivables and prepayments**

<i>In BGN'000</i>	<b>30 September 2020</b>	<b>31 December 2019</b>
Taxes refundable	2 844	1 758
Court and awarded receivables	832	268
Prepayments	442	302
Other receivables	340	280
<b>Total</b>	<b>4 458</b>	<b>2 608</b>

**14. Cash and cash equivalents**

<i>In BGN'000</i>	<b>30 September 2020</b>	<b>31 December 2019</b>
Cash on hand	435	441
Cash in current accounts	7 945	2 383
<b>Total</b>	<b>8 380</b>	<b>2 824</b>

The Group assesses expected credit losses on cash and cash equivalents as immaterial and therefore, no expected credit loss on cash and cash equivalents was accrued.

**15. Equity**

<i>Share capital</i>	<b>Number of voting shares</b>	<b>Amount, BGN'000</b>
At 31 December 2019	243 608 710	243 609
<b>At 30 September 2020</b>	<b>243 608 710</b>	<b>243 609</b>

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Shareholders of GRADUS AD as at 30 September 2020:

	<b>Number of voting shares</b>	<b>Shareholding, %</b>
Luka Agnelov Agnelov	99 195 645	40,72
Ivan Agnelov Agnelov	50 312 465	20,65
Angel Ivanov Angelov	50 312 465	20,65
Legal entities	38 083 511	15,64
Individual shareholders	5 704 624	2,34
<b>Total:</b>	<b><u>243 608 710</u></b>	<b><u>100,00</u></b>

Shareholders of GRADUS AD as at 31 December 2019:

	<b>Number of voting shares</b>	<b>Shareholding, %</b>
Luka Agnelov Agnelov	99 195 645	40,72
Ivan Agnelov Agnelov	50 312 465	20,65
Angel Ivanov Angelov	50 312 465	20,65
Legal entities	38 292 755	15,72
Individual shareholders	5 495 380	2,26
<b>Total:</b>	<b><u>243 608 710</u></b>	<b><u>100,00</u></b>

**Equity**

<i>In BGN'000</i>	<b>30 September 2020</b>	<b>31 December 2019</b>
Share capital	243 609	243 609
Issue premium	44 200	44 200
Issue premium from the issue of securities	18 087	18 087
Reserve from transformation	(247)	(247)
Revaluation reserve	404	404
Reserve from actuarial revaluations	(167)	(167)
Accumulated profit	13 774	3 882
Non-controlling interest	1 884	1 765
<b>Total equity</b>	<b><u>321 544</u></b>	<b><u>311 533</u></b>

**Transaction under joint control**

*In BGN'000*

	<b>Gold Farm 91 EOD</b>
Remuneration transferred	(4 052)
Fair value of net assets	3 805
<b>Reserve from transformation</b>	<b><u>(247)</u></b>

On 27 December 2019, the Group acquired Gold Farm 91 EOOD. The acquisition is treated as a transaction under joint control with the effect thereof being reported under the heading of „Reserve from transformation“ (See Note 7).

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**16. Deferred tax assets and liabilities**

**Deferred tax assets and liabilities recognised**

Deferred tax assets and liabilities recognised originate from the following:

	Assets		Liabilities		Net	
	30.09.2020	31.12.2019	30.09.2020	31.12.2019	30.09.2020	31.12.2019
<i>In BGN'000</i>						
Property, plant and equipment	-	-	(10 635)	(10 563)	(10 635)	(10 563)
Intangible assets	-	-	(5 327)	(5 327)	(5 327)	(5 327)
Investment property	-	-	(471)	(471)	(471)	(471)
Tax loss	76	94	-	-	76	94
Trade receivables and loans granted	333	333	-	-	333	333
Employee benefits	8	13	-	-	8	13
Long-term retirement benefits	42	42	-	-	42	42
Inventories	925	1 061	-	-	925	1 061
Compensated leaves	34	39	-	-	34	39
	<b>1 418</b>	<b>1 582</b>	<b>(16 433)</b>	<b>(16 361)</b>	<b>(15 015)</b>	<b>(14 779)</b>

**Movements in temporary differences in 1-9/2020**

<i>In BGN'000</i>	Balance 31.12.2019	Profits and losses	Other comprehen sive income	Balance 30.09.2020
Property, plant and equipment	(10 563)	(72)	-	(10 635)
Intangible assets	(5 327)	-	-	(5 327)
Investment property	(471)	-	-	(471)
Inventories	1 061	(136)	-	925
Tax loss	94	(18)	-	76
Trade receivables and loans granted	333	-	-	333
Employee benefits	13	(5)	-	13
Long-term retirement benefits	42	-	-	42
Compensated leaves	39	(5)	-	39
<b>Total:</b>	<b>(14 779)</b>	<b>(236)</b>	<b>-</b>	<b>(15 015)</b>

<i>In BGN'000</i>	Balance 31.12.2018	Profits and losses	Other comprehen sive income	Balance 31.12.2019
Property, plant and equipment	(10 145)	(418)	-	(10 563)
Intangible assets	(5 327)	-	-	(5 327)
Investment property	(403)	(68)	-	(471)
Inventories	708	353	-	1 061
Tax loss	128	(34)	-	94
Trade receivables and loans granted	232	101	-	333
Employee benefits	13	-	-	13
Long-term retirement benefits	25	8	9	42
Compensated leaves	33	6	-	39
<b>Total:</b>	<b>(14 736)</b>	<b>(52)</b>	<b>9</b>	<b>(14 779)</b>

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**17. Long-term payables to personnel**

Long-term payables to personnel comprise the Group's obligation to pay termination benefits to those employees who retire as of 31 March 2020. Pursuant to the Labour Code provisions, every employee is entitled to compensation amounting to two months' gross salaries upon retirement. If he/she has been with the same employer for the past 10 years or more, this employee is entitled to a compensation amounting to six months' gross salaries. At the time of retirement.

The change in the present value of payables to employees upon retirement is as follows:

<i>In BGN'000</i>	<b>30 September 2020</b>	<b>31 December 2019</b>
<b>Present value of the obligation on 31 December</b>	<b>398</b>	<b>272</b>
Current service costs	-	77
Interest expense	-	6
Payments during the period	-	(58)
Effects from subsequent valuation for the year	-	101
<b>Present value of the obligation on 31 September</b>	<b>398</b>	<b>398</b>

**18. Deferred income from financing**

<i>In BGN'000</i>	<b>30 September 2020</b>	<b>31 December 2019</b>
Gradus - 1 EOOD	1 109	1 213
Millennium 2000 EOOD	94	150
Lora 2004 EOOD	1 036	1 113
<b>Total long-term portion of financing for FTAs</b>	<b>2 239</b>	<b>2 476</b>
Gradus - 1 EOOD	156	156
Millennium 2000 EOOD	74	73
Lora 2004 EOOD	103	106
<b>Total short-term portion of financing for FTAs (Note 23)</b>	<b>333</b>	<b>335</b>
<b>Total</b>	<b>2 572</b>	<b>2 811</b>

The financing obtained is from the State Fund Agriculture and relate to the acquisition of fixed tangible assets.

**19. Bank loans**

Bank	Currency	Interest rate %	Maturity	30.09.2020		31.12.2019	
				<i>Liability BGN'000</i>	<i>Approved limit BGN'000</i>	<i>Liability BGN'000</i>	<i>Approved limit BGN'000</i>
<b>"Bank 1" - borrower Gradus-1 EOOD</b>							
Loan 1	BGN	WADI+0.84%	30.09.2021	4 721	12 000	10 767	12 000
Loan 2	BGN	WADI+0.84%	30.09.2021	-	2 800	-	2 800
Loan 3	BGN	WADI+0.84%	30.09.2021	-	8 000	4 341	8 000
<b>"Bank 1" - borrower Gradus-3 AD</b>							
Loan 1	BGN	WADI+0.84%	30.09.2021	-	12 000	-	12 000
Loan 2	BGN	WADI+0.84%	30.09.2021	-	2 800	-	2 800
Loan 3	BGN	WADI+0.84%	30.09.2021	-	8 000	-	8 000
<b>"Bank 2" - borrower Gradus-3 AD</b>							
Loan 1	BGN	WADI+0.9%	20.08.2021	7 344	10 000	900	10 000
<b>"Bank 3" - borrower Gradus-3 AD</b>							
Loan 1	EUR	1m euribor+1.15%	31.01.2020	-	16 625	-	16 625
Loan 2	EUR	1m euribor+1.15%	31.01.2020	-	12 713	-	12 713
Loan 3	EUR	1m euribor+1.15%	31.01.2020	-	9 779	-	9 779
<b>Total:</b>				<b>12 065</b>		<b>16 008</b>	

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The bank loans are secured by Group's assets, as follows:

<i>In BGN'000</i>	<b>30 September 2020</b>	<b>31 December 2019</b>
Fixed assets	81 444	81 444
Inventories	26 382	26 382
Receivables	-	1 779
<b>Total</b>	<b>107 826</b>	<b>109 605</b>
<b>20. Trade liabilities</b>		
<i>In BGN'000</i>	<b>30 September 2020</b>	<b>31 December 2019</b>
Payables to suppliers	5 867	4 120
Payables under contracts with customers	47	326
<b>Total</b>	<b>5 914</b>	<b>4 446</b>
<b>21. Tax liabilities</b>		
<i>In BGN'000</i>	<b>30 September 2020</b>	<b>31 December 2019</b>
VAT payable	718	1 033
Corporate income tax	355	67
Individuals' income tax	361	382
Other taxes	-	11
<b>Total</b>	<b>1 481</b>	<b>1 493</b>
<b>22. Payables to personnel and social security</b>		
<i>In BGN'000</i>	<b>30 September 2020</b>	<b>31 December 2019</b>
Payables to personnel	1 647	1 721
Payables to social security	593	624
Payables on unused paid leave	-	56
<b>Total</b>	<b>2 240</b>	<b>2 401</b>
<b>23. Other current liabilities</b>		
<i>In BGN'000</i>	<b>30 September 2020</b>	<b>31 December 2019</b>
Liability under a contract for the supply of FTAs	383	383
Short-term portion of financing of FTAs	333	307
Operating lease liabilities	88	75
Insurance liabilities	26	26
Pledge	12	11
Dividends payable to individuals	8	8
Other liabilities	102	144
<b>Total</b>	<b>952</b>	<b>954</b>
<b>24. Revenue from contracts with customers</b>		
<i>In BGN'000</i>	<b>1-9/2020</b>	<b>1-9/2019</b>
Sale of products	89 095	95 216
Sale of good	17 886	25 451
Sale of services	744	592
<b>Total</b>	<b>107 725</b>	<b>121 259</b>

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**Revenue comprises:**

<i>In BGN'000</i>	<b>1-9/2020</b>	<b>1-9/2019</b>
Goods and products transferred at a point in time	106 981	120 667
Services transferred over time	744	592
<b>Total:</b>	<b>107 725</b>	<b>121 259</b>

**25. Other operating income**

<i>In BGN'000</i>	<b>1-9/2020</b>	<b>1-9/2019</b>
Income from financing	10 528	10 216
Rental income	495	646
Revenue from revaluation of biological assets	360	448
Revenue from revaluation from agricultural production	-	241
Excess inventory	318	152
Revenue from sale of materials and FTAs, net	170	551
Revenue from Compensated leaves	77	66
Income from benefits	266	1 032
Other income	158	89
<b>Total</b>	<b>12 372</b>	<b>13 441</b>

**26. Own costs capitalised**

<i>In BGN'000</i>	<b>1-9/2020</b>	<b>1-9/2019</b>
<b>Costs of materials, personnel and other</b>	<b>1 044</b>	<b>1 935</b>

**27. Expenses on materials**

<i>In BGN'000</i>	<b>1-9/2020</b>	<b>1-9/2019</b>
Raw materials	48 846	53 977
Electricity	3 304	3 098
Expenses on fuel and lubricants	1 424	1 685
Heating materials	781	835
Expenses on repair and spare parts	769	1 060
Natural gas	660	928
Water and steam	313	260
Other expenses	1 614	329
	<b>57 711</b>	<b>62 172</b>

**28. Hired service expenses**

<i>In BGN'000</i>	<b>1-9/2020</b>	<b>1-9/2019</b>
Marketing and advertising	1 098	1 074
Transportation services	759	742
Forwarding services and commissions	288	860
Taxes and charges	508	464
Veterinary services and researches	349	263
Repair and maintenance of FTAs	400	469
Security	280	258
Insurances	256	293
Fees, certificates, permits	207	330
Subscription fees	96	30
Rendering	243	114
Road taxes	34	27
Audit expenses	60	111
Consulting services	281	504
Rents	63	149
Translation / interpretation services	7	6
Other expenses	1 255	1 023
	<b>6 184</b>	<b>6 717</b>

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**29. Personnel expenses**

<i>In BGN'000</i>	<b>1-9/2020</b>	<b>1-9/2019</b>
Salaries and wages	17 558	15 822
Social security expenses	2 990	2 753
Social benefits expenses	721	365
	<u><b>21 269</b></u>	<u><b>18 940</b></u>

**30. Other expenses**

<i>In BGN'000</i>	<b>1-9/2020</b>	<b>1-9/2019</b>
Impairment of biological assets	6 542	6 188
Scrap of inventories	1 475	1 805
Entertainment expenses	124	162
Business trip expenses	34	31
Scrap of FTAs	33	8
Donations	17	16
Natural wastage	16	13
Social expenses	18	10
Lack of assets	12	16
Other expenses	154	168
<b>Total</b>	<u><b>8 425</b></u>	<u><b>8 417</b></u>

**31. Finance income and finance costs**

<i>In BGN'000</i>	<b>1-9/2020</b>	<b>1-9/2019</b>
Interest income	117	195
Income from foreign currency transactions	-	234
<b>Total finance income</b>	<u><b>117</b></u>	<u><b>429</b></u>
Interest expenses on bank loans	(54)	(99)
Bank charges and commissions	(76)	(212)
Interest expenses on leased contracts	(17)	(27)
Expenses from foreign currency transactions	(490)	-
<b>Total finance costs</b>	<u><b>(637)</b></u>	<u><b>(338)</b></u>
<b>Total finance income/finance costs, net</b>	<u><b>(520)</b></u>	<u><b>91</b></u>

**32. Tax expenses**

	<b>30.09.2020</b>	<b>30.09.2019</b>
Current income tax expense – 10%	(1 794)	(1 919)
Deferred income taxes relating to:		
Origination and reversal of temporary differences	(238)	(93)
<b>Total income tax expense</b>	<u><b>(2 032)</b></u>	<u><b>(2 012)</b></u>

**33. Financial instruments**

**Categories of financial instruments**

<b>Financial assets at amortised cost</b>	<b>30.09.2020</b>	<b>31.12.2019</b>
<i>In BGN'000</i>		
Trade receivables	8 273	12 311
Related party receivables	9 977	5 034
Loans to related parties	975	4 489
Cash and cash equivalents	7 945	2 383
<b>Total</b>	<u><b>27 170</b></u>	<u><b>24 217</b></u>

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<b>Financial liabilities at amortised cost</b>	<b>30.09.2020</b>	<b>31.12.2019</b>
<i>In BGN'000</i>		
Bank loans	12 065	16 008
Payables to related parties	497	172
Lease liabilities	271	247
Trade payables	5 867	4 120
<b>Total</b>	<b>18 700</b>	<b>20 547</b>

In the course of its ordinary activity the Group is exposed to various financial risks, the most significant of which are the following: market risk (including currency risk, risk of changes in fair value and price risk), credit risk, liquidity risk and risk of interest-bearing cash flows.

The overall risk management is focused on difficulties in forecasting financial markets aimed at minimising the potential negative effects that might impact the financial results and performance of the Group.

Financial risks are identified, measured and monitored currently, using different control mechanisms, in order to determine adequate prices of the group's goods and services, and of its borrowings, as well as to assess adequately the market circumstances of its investments and the forms of maintenance of free liquidity without permitting unjustified concentration of a particular risk.

Risks faced by the Group are managed on an ongoing basis in accordance with a policy elaborated by management. Management has set the main principles of the overall financial risk management on the basis of which specific procedures for management of particular risks, such as currency risk, price risk, interest rate risk, credit risk, and liquidity risk, have been developed.

**Credit risk**

The main financial assets of the Group comprise cash on hand and cash in bank accounts, trade receivables and receivables on loans granted.

Credit risk is the risk that the group's counterparties might not be able to repay fully and within the usual time limits the amounts they owe on trade and credit receivables.

**Currency risk**

**Exposure to currency risk**

Sometimes, the Group companies undertake transactions denominated in foreign currencies. The Group is exposed to currency risk relating to possible fluctuations in exchange rates of foreign currencies. Currently, such risk originates from fluctuations in the USD exchange rate upon trading in agricultural produce.

**Liquidity risk**

Liquidity risk is reflected in the adverse situation of the Group not being able to meet unconditionally all of its liabilities as they fall due. The Group applies conservative liquidity management policy through which it constantly maintains optimal cash levels. The Group does not experience a shortage of cash.

The following table contains the financial liabilities' contractual maturities, including estimated interest payments, but excluding the effect of netting arrangements:

**30 September 2020**

<i>In BGN'000</i>	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
Bank loans	12 065	12 065	12 065	-	-	-	-
Payables to related parties	271	277	69	69	87	52	-
Lease liabilities	497	497	497	-	-	-	-
Trade payables	5 867	5 867	5 867	-	-	-	-
<b>Total</b>	<b>18 700</b>	<b>18 706</b>	<b>18 498</b>	<b>69</b>	<b>87</b>	<b>52</b>	<b>-</b>

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*31 December 2019*

<i>In BGN'000</i>	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
Bank loans	16 008	16 008	-	16 008	-	-	-
Payables to related parties	247	253	39	39	77	98	-
Lease liabilities	172	172	172	-	-	-	-
Trade payables	4 120	4 120	4 120	-	-	-	-
<b>Total</b>	<b>20 547</b>	<b>20 553</b>	<b>4 331</b>	<b>16 047</b>	<b>77</b>	<b>98</b>	<b>-</b>

**Interest rate risk**

Generally, the Group has no significant interest-bearing assets. Therefore, revenue and operating cash flows are to a large extent independent from changes in market interest rates. At the same time, the Group is exposed to interest rate risk originating from its bank loans. Usually, they bear variable interest rates, which exposes its cash flows to interest rate risk.

*In BGN'000*

	Interest-bearing		Interest-free	Total
	Fixed interest rate	Variable interest rate		
	%	%		
<b>30 September 2020</b>				
Related party receivables	4 433	1 590	3 954	9 977
Trade receivables	-	-	8 273	8 273
Loans granted	975	-	-	975
Cash and cash equivalents	-	7 945	-	7 945
<b>Total financial assets</b>	<b>5 408</b>	<b>9 535</b>	<b>12 227</b>	<b>27 170</b>
Bank loans	-	12 065	-	12 065
Lease liabilities	271	-	-	271
Trade payables	-	-	5 867	5 867
Payables to related parties	-	-	497	497
<b>Total financial liabilities</b>	<b>271</b>	<b>12 065</b>	<b>6 364</b>	<b>18 700</b>

*In BGN'000*

	Interest-bearing		Interest-free	Total
	Fixed interest rate	Variable interest rate		
	%	%		
<b>31 December 2019</b>				
Related party receivables	1 320	1 565	2 149	5 034
Trade receivables	-	-	12 311	12 311
Loans granted	4 489	-	-	4 489
Cash and cash equivalents	-	2 383	-	2 381
<b>Total financial assets</b>	<b>5 809</b>	<b>3 948</b>	<b>14 460</b>	<b>24 417</b>
Bank loans	-	16 008	-	16 008
Lease liabilities	247	-	-	247
Trade payables	-	-	4 120	4 120
Payables to related parties	-	-	172	172
<b>Total financial liabilities</b>	<b>247</b>	<b>16 008</b>	<b>4 292</b>	<b>20 547</b>

**Fair values**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing

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parties in an arm's length transaction. The policy of the company is to disclose in its separate financial statements the fair value of financial assets and liabilities, primarily for which there are quoted market prices. The fair value of financial instruments not traded on active markets is determined using valuation techniques based on various valuation methods and management's assumptions made on the basis of market conditions prevailing at the balance sheet date.

The concept of fair value implies the realization of financial instruments through sale. In most cases, especially in respect of trade receivables and payables, loans and deposits, the Company expects to realize these financial assets through their full repayment or, respectively, repayment over time. That is why they are stated at their amortised cost. The Company's financial assets and liabilities are mainly short-term in nature (trade receivables and payables, short-term loans) and therefore, it is assumed that their carrying amount approximates their fair value. The Company's management considers that, under the existing circumstances, the estimates of financial assets and liabilities included on the balance sheet are the most reliable, adequate and trustworthy as possible for the purposes of financial reporting.

The fair value of financial instruments is determined in accordance with the valuation methodology corresponding to Level 3 in the fair value hierarchy.

**Fair values vs carrying amounts**

The fair values of financial assets and liabilities, together with the carrying amounts included in the statement of financial position, are as follows:

<i>In BGN'000</i>	<b>30 September 2020</b>		<b>31 December 2019</b>	
	Carrying amount	Fair value	Carrying amount	Fair value
Related party receivables	9 977	9 977	5 034	5 034
Trade receivables	8 273	8 273	12 311	12 311
Loans granted	975	975	4 489	4 489
Cash and cash equivalents	7 945	7 945	2 383	2 383
<b>Total assets</b>	<b>24 916</b>	<b>24 916</b>	<b>24 217</b>	<b>24 217</b>
Payables to related parties	497	497	172	172
Lease liabilities	271	271	247	247
Trade payables	5 867	5 867	4 120	4 120
Bank loans	12 065	12 065	16 008	16 008
<b>Total liabilities</b>	<b>18 700</b>	<b>18 700</b>	<b>20 547</b>	<b>20 547</b>

**34. Related party transactions**

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**Identification of related parties**

For the purposes of preparing these consolidated financial statements, the owners, the companies under their control, the senior management (key management staff) and close family members, including companies controlled by them, are treated as related parties.

<b>Related parties:</b>	<b>Relation</b>
Luka Angelov Angelov	Equity owner
Ivan Angelov Angelov	Equity owner
Angel Ivanov Angelov	Equity owner
Georgi Aleksandrov Babev	Member of the Board of Directors
Gradus-1 EOOD	Company under joint control
Gradus-3 AD	Company under joint control
Millennium 2000 EOOD	Company under joint control
Gradus-98 AD	Company under joint control
Zhyuliv EOOD	Company under joint control
Lora-2004 EOOD	Company under joint control
Gold Farm 91 EOOD	Company under joint control
Energy-2 OOD	Relationship through a person exercising significant influence
Agro Invest-7 OOD	Relationship through a person exercising significant influence
Mirena OOD	Relationship through a person exercising significant influence
Gold Agro-2005 OOD	Relationship through a person exercising significant influence
Ayazmo AD	Relationship through a person exercising significant influence
Marieta EOOD	Relationship through a person exercising significant influence
Trade Home EOOD	Relationship through a person exercising significant influence
Ralitsa 2004 OOD	Relationship through a person exercising significant influence
Wolf OOD	Relationship through a person exercising significant influence
Biser Oliva AD	Relationship through a person exercising significant influence
Equity Invest-1 AD	Relationship through a person exercising significant influence
Equity Invest-2 OOD	Relationship through a person exercising significant influence
Farmpro OOD	Relationship through a person exercising significant influence
M.O. Stara Zagora OOD	Relationship through a person exercising significant influence
Biser Distribution OOD	Relationship through a person exercising significant influence
Zagora Oil OOD	Relationship through a person exercising significant influence
Auto Spa Center	Relationship through a person exercising significant influence
LG Auto OOD	Relationship through a person exercising significant influence
Farmpro OOD	Relationship through a person exercising significant influence
Product board for eggs, poultry and rabbit meat-Bulgaria	Relationship through a person exercising significant influence
Association of Biogas Producers	Relationship through a person exercising significant influence
Union of Poultry Breeders in Bulgaria	Relationship through a person exercising significant influence

**Related party transactions for the period 1-9/2020**

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<i>In BGN'000</i>	Type of transaction	Transaction amount 01.01.2020- 30.09.2020	Total receivables 30.09.2020	Total payables 30.09.2020
<b>At 30 September 2020</b>				
Agro Invest-7 OOD	Sales	359	1 051	-
Energy- 2 OOD	Sales	638	1 504	-
Energy- 2 OOD	Loan granted	-	995	-
M.O. Stara Zagora OOD	Loan granted	-	1 590	-
Biser Oliva AD	Sales	2 857	4	-
Mirena OOD	Loan granted	-	53	-
Equity Invest-1 AD	Sales	1	-	-
Equity Invest-2 OOD	Sales	1	-	-
Farmpro OOD	Sales	669	1 357	-
Farmpro OOD	Loan granted	-	3 385	-
Ivan Agnelov Agnelov	Sales	146	38	-
Agro Invest-7 OOD	Purchases	282	-	136
Biser Oliva AD	Purchases	3 774	-	361
<b>Total balances related parties outside the Group:</b>			<b>9 977</b>	<b>497</b>
Including:				
<b>Loans granted</b>			<b>6 023</b>	-
<b>Trade receivables</b>			<b>3 954</b>	-
<b>Trade payables</b>			-	<b>497</b>

**Related party transactions for the period 1-9/2019**

<i>In BGN'000</i>	Type of transaction	Transaction amount 01.01.2019- 30.09.2019	Total receivables 31.12.2019	Total payables 31.12.2019
<b>At 31 December 2019</b>				
Agro Invest-7 OOD	Sales	270	896	-
Energy- 2 OOD	Sales	999	1 212	-
Energy- 2 OOD	Loan granted	24	1 267	-
ET Gradus - Ivan Angelov – 55	Sales	972	-	-
M.O. Stara Zagora OOD	Loan granted	27	1 565	-
Biser Oliva AD	Sales	175	25	-
Mirena OOD	Loan granted	-	53	-
Equity Invest-1 AD	Sales	1	-	-
Equity Invest-2 OOD	Sales	1	-	-
Ivan Agnelov Agnelov	Sales	114	16	-
Luka Agnelov Agnelov	Sales	1	-	-
Agro Invest-7 OOD	Purchases	842	-	161
Energy- 2 OOD	Purchases	55	-	-
ET Gradus - Ivan Angelov – 55	Purchases	1 940	-	-
Biser Oliva AD	Purchases	4 088	-	11
<b>Total balances related parties outside the Group:</b>			<b>5 034</b>	<b>172</b>
Including:				
<b>Loans granted</b>			<b>2 885</b>	-
<b>Trade receivables</b>			<b>2 149</b>	-
<b>Trade payables</b>			-	<b>172</b>

**35. Contingent liabilities**

As of 30 September 2020 the Group has no contingent liabilities.

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**36. Events after the reporting date**

On October 28, 2020, a decision was made by the Board of Directors to establish a new subsidiary. A trade company with the company name Gradus Logistics EOOD was established, with a sole owner Gradus AD and a capital in the amount of BGN 400,000 (four hundred thousand).

There are no other events after the balance sheet date that require disclosure in these consolidated financial statements.