

**GRADUS AD**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2018**

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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

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

These interim 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*. The interim consolidated financial statements have been prepared in accordance with all International Financial Reporting Standards (IFRS), including the interpretations of the IFRS Interpretations Committee (IFRIC) approved by the International Accounting Standards Board (IASB), and International Accounting Standards (IAS) and Interpretations of the Standing Interpretations Committee (SIC), approved by the IAS Committee (IASC), effective 1 January 2018, as endorsed by the Commission of the European Union.

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

**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.

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**3. Significant accounting policies (continued)**

*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 and losses on derecognition of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are recognised net in other income / other expenses in profit or loss. When the revalued assets are sold or derecognised on other grounds, the amounts included in the revaluation reserve are reclassified to retained earnings or accumulated 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.

**(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 in profit or loss unless they are included in the carrying amount of another asset. Assets acquired under finance 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>Annual depreciation rate, %</b>
<input type="checkbox"/> Buildings and facilities	1.5
<input type="checkbox"/> Plant and equipment	8
<input type="checkbox"/> Motor vehicles	10
<input type="checkbox"/> Hardware	33.3
<input type="checkbox"/> Fixtures and fittings	10
<input type="checkbox"/> Other fixed assets	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.

### **3. Significant accounting policies (continued)**

#### **(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 (in 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 (in 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.

#### **(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>Annual amortisation rate, %</b>
• Intellectual property rights	15
• Industrial property rights	15
• Other intangible assets	6.67 – 33.33

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 (in profit or loss for the year). In case of subsequent reversal of impairment, it is recognised in the statement of comprehensive income (in profit or loss for the year).

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.

**3. Significant accounting policies (continued)**

**(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. 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 in 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 (in 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.

**(f) Leased assets**

Lease contracts that transfer all significant risks and rewards of ownership are classified as finance leases. Upon initial recognition, leased assets are measured at the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for according to the accounting policy applicable to the asset.

Operating leases represent all other types of leases other than financial leases. They are not recognised in the consolidated statement of financial position of the Group.

**(g) 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.

Initially and subsequent to initial recognition, biological assets under IAS 41 Agriculture are measured at fair value less costs of sale. Any change in the fair value is recognised in profit or loss in the period in which it occurs.

**(h) Impairment**

**(i) *Non-derivative financial assets***

A financial asset, which is not recognised at fair value through profit and loss, is reviewed at each reporting date to assess whether there is objective evidence of its impairment. A financial asset is impaired when there is objective evidence that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that a financial asset is impaired includes default or delinquency by a borrower, restructuring of a liability to the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, adverse changes in the payment status of a borrower or issuer, economic conditions that lead to failures or the disappearance of an active market for a security. Moreover, with respect to investments in equity securities, the existence of significant or prolonged decline in their fair value below cost is considered objective evidence of its impairment.

### **3. Significant accounting policies (continued)**

#### *Loans and receivables*

The Group considers evidence for impairment of loans and receivables at both individual and collective level. All individually significant assets are assessed for specific impairment. All individually significant assets found not to be specifically impaired are then collectively assessed for impairment that has arisen but has not yet been identified. Loans and receivables, which are not individually significant, are assessed by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted by the management's judgements as to whether the current economic and credit conditions are such that actual losses are likely to be bigger or smaller than the estimates on the basis of the historical trends.

Impairment losses on financial assets measured at amortised cost are calculated as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. When an event occurring after the impairment was recognised causes the amount of impairment losses to decrease, the decrease in impairment loss is reversed through profit or loss.

#### **(ii) 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 in 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.

#### **(i) 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 in 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.

**3. Significant accounting policies (continued)**

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 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.

**(j) 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.

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.

**(k) Revenue**

**(i) Revenue from sale of finished products and goods**

Revenue from sale of finished products and goods, in the course of its ordinary activity, is measured at the fair value of the consideration received or receivable, taking into account the amount of any trade discounts and volume rebates the entity allows. Revenue from the sale of goods is recognised when there is sufficient evidence that the entity has transferred to the buyer the significant risks and rewards of ownership of the goods, it is probable that the consideration will be received by the entity, the costs incurred and probability of returns can be measured reliably, management retains no continuing managerial involvement associated with ownership over the goods sold, and the amount of revenue can be measured reliably. If discounts are likely to be granted and their value can be measured reliably, then the discounts are recognised as a reduction in revenue when sales are recognised. The transfer of risks and rewards varies according to the specific terms and conditions of the sales contract; however, usually they are transferred on the dispatch of the finished products and goods.

**(ii) Revenue from services**

Revenue from provision of services is recognised pro rata by reference to the stage of completion at the reporting date. The stage of completion is measured usually by analysing the work accomplished.

### **3. Significant accounting policies (continued)**

#### **(l) Lease payments**

Lease payments under an operating lease are recognised in profit or loss on a straight-line basis over the lease term. Any additional payments are recognised as an integral part of total lease expenses over the contract term.

Minimum lease payments are apportioned between finance charges and reduction of the lease liability. Finance charges are allocated to each period over the lease term to achieve a constant rate of interest on the remaining balance of the liability.

##### *(i) Determination of whether an arrangement contains a lease*

At the commencement of an agreement, the Group determines whether it is or contains a lease. An asset is a subject to lease if the performance of the arrangement depends on the use of this particular asset. An arrangement conveys such a right to use an asset, if the arrangement conveys to the Group the right to control the use of the underlying asset.

Upon the occurrence or after a subsequent valuation of an agreement that contains a lease, the Group apportions the payments and any other requirements under the agreement between leases and other elements based on their relative fair values. If the Group concludes that it is impossible for a particular finance lease to allocate the payments reliably, the asset and the liability are recognised in an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced when the relevant payments are made and a finance cost is recognised by using the differential interest rate of the Group.

#### **(m) Finance income and finance costs**

Finance income includes interest income on funds invested in bank deposits. Interest income is recognised at the time it is accrued using the effective interest rate method.

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 in profit or loss using the effective interest rate method.

Foreign exchange gains and losses are stated net, either as finance income or finance costs depending on whether the foreign currency difference is a net gain or a net loss.

#### **(n) Income tax**

Income tax for the reporting period 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 of 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.

### **3. Significant accounting policies (continued)**

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.

#### **(o) 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.

#### **(p) 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.

### **3. Significant accounting policies (continued)**

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

#### **(p) Key estimates and assumptions**

**Impairment of receivables** - A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments for more than 90 days, are considered indicators by the management when determining or classifying a certain receivable as impaired. Management assesses the collectability of receivables based on an analysis of the overall exposure of the receivables from each contractor in view of assessing the actual possibility for their collection. When assessing high uncertainty about the collection rate of a receivable, an assessment is made as to how the funds are guaranteed.

An impairment loss is reversed only when the reversal can be related objectively to an event occurring after the impairment was recognised.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is adjusted using an allowance sub-account, wherein all impairments are accumulated. Where a receivable is judged as fully non-collectable, it is derecognised against the allowance account.

**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 the depreciable fixed assets at the end of each reporting period.

### **3. Significant accounting policies (continued)**

**Goodwill** - It is assessed 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 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.

#### **(q) New standards and interpretations that have not yet been adopted**

In the current year, the company has adopted all new and amended IFRSs that are relevant to its operations and are effective for the reporting period beginning on 1 January 2017. Their adoption has not resulted in significant changes in the accounting policies of the company.

As at the date of preparation of the consolidated financial statements, the IASB / IFRIC has issued standards and interpretations that are not yet effective. Some of them have been adopted by the European Union and others have not yet been endorsed. Management expects that the adoption of these accounting standards in future periods will not have a material effect on the company's financial statements.

Standards issued by the IASB / IFRIC that have not yet entered into force at the date of issue of the interim financial statements and have not been adopted earlier are listed below. The company intends to adopt these standards when they become effective.

#### **Standards issued that are not yet effective and are not adopted earlier**

At the date of preparation of these financial statements, the following standards have been issued by the IASB and adopted by the EU but have not yet entered into force:

IFRS 16 Leases - endorsed by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019); The Standard represents a significant change in the presentation and reporting by the lessees. It requires assets and liabilities to be recognised under all leases (financial and operating) unless they are of a low value or with a term of less than 12 months. Upon adoption of the Standard, lease contracts will form a "Rights of Use" asset and a lease liability for future payments.

Amendment to IFRS 9 Financial Instruments - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019);

**3. Significant accounting policies (continued)**

**New standards and interpretations issued by the IASB, but not yet endorsed by the EU**

Currently, IFRSs adopted by the EU do not differ materially from those adopted by the IASB, except for the following new standards, amendments to existing standards and new interpretations not yet endorsed by the EU at the date of approval of these consolidated financial statements (the dates of entry into force below are for the full set of IFRS):

IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2021);

Amendments to IAS 28 Investments in Associates and Joint Ventures - Long-term Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019);

Amendments to various standards Improvements to IFRS (Cycle 2015-2017) resulting from the annual IFRS Improvements Project (IFRS 3, IFRS 11, IAS 12 and IAS 23), mainly for the purpose of eliminating contradictions and clarifying the wording for annual periods beginning on or after 1 January 2019);

IFRIC 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019);

Amendment to IAS 19 Employee Benefits - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). Amendments to the references to the Framework for the Preparation and Presentation of Financial Statements in International Financial Reporting Standards (effective for annual periods beginning on or after 1 January 2020)

**GRADUS AD**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2018**

**4. Fixed tangible assets**

<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>								
Balance at 31 December 2017	16 466	87 868	36 366	22 665	12 576	3 840	4 707	184 488
Additions	-	2 667	3 818	609	1 406	46	8 878	17 424
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	(31)	-	(57)	(125)	(8 313)	(8 526)
Balance at 31 September 2018	<u>16 466</u>	<u>90 535</u>	<u>40 153</u>	<u>23 274</u>	<u>13 925</u>	<u>3 761</u>	<u>5 272</u>	<u>193 386</u>
<b>Depreciation</b>								
Balance at 31 December 2017	-	(878)	(3 129)	(257)	(8 115)	(2 169)	-	(14 548)
Depreciation charge for the period	-	(674)	(2 245)	(259)	(675)	(236)	-	(4 089)
Disposals	-	-	4	-	26	65	-	95
Balance at 30 September 2017	<u>-</u>	<u>(1 552)</u>	<u>(5 370)</u>	<u>(516)</u>	<u>(8 764)</u>	<u>(2 340)</u>	<u>-</u>	<u>(18 542)</u>
<b>Net book value</b>								
At 31 December 2017	<u>16 466</u>	<u>86 990</u>	<u>33 237</u>	<u>22 408</u>	<u>4 461</u>	<u>1 671</u>	<u>4 707</u>	<u>169 940</u>
At 30 September 2018	<u>16 466</u>	<u>88 983</u>	<u>34 783</u>	<u>22 758</u>	<u>5 161</u>	<u>1 421</u>	<u>5 272</u>	<u>174 844</u>

The Group has established a registered pledge of buildings, plant and equipment under loan contracts (see note 18).

**5. Intangible assets**

Intangible assets comprise trademarks, software, ISO certificates, integrated permits, and others.

<i>In BGN'000</i>	Trademarks	Software	Leasehold improvements	Licenses and others	Total
<b>Cost</b>					
At 31 December 2017	53 273	47	678	310	54 308
Additions	-	4	-	5	9
At 30 September 2018	<u>53 273</u>	<u>51</u>	<u>678</u>	<u>315</u>	<u>54 317</u>
<b>Amortisation</b>					
At 31 December 2017	-	(40)	(104)	(191)	(335)
Amortisation charge for the period	-	(2)	-	(99)	(101)
At 30 September 2018	<u>-</u>	<u>(42)</u>	<u>(104)</u>	<u>(290)</u>	<u>(436)</u>
<b>Net book value</b>					
At 31 December 2017	<u>53 273</u>	<u>7</u>	<u>574</u>	<u>119</u>	<u>53 973</u>
At 30 September 2018	<u>53 273</u>	<u>9</u>	<u>574</u>	<u>25</u>	<u>53 881</u>

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".

**6. Goodwill**

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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 Millenium 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 of 30 September 2018, the goodwill amounted to **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.

**7. Investment property**

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 in 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. As of 30 September 2018, the carrying amount of the investment properties amounted to BGN 6,633 thousand (2017: BGN 6,350 thousand).

**8. Available-for-sale investments**

The Group holds shares in Ecobulpack AD amounting to BGN 1 thousand.

**9. Inventories**

<i>In BGN'000</i>	<b>30 September 2018</b>	<b>31 December 2017</b>
Basic materials	26 690	20 850
Finished products	7 188	6 833
Goods	20 774	7 298
Animals for fattening	8 848	4 662
Work in progress	4 276	4 129
<b>Total inventories</b>	<b>67 776</b>	<b>43 772</b>

The Group has established a registered pledge of inventories under loan contracts. (See Note 18).

**10. Trade receivables**

<i>In BGN'000</i>	<b>September 2018</b>	<b>31 December 2017</b>
Receivables from counterparties	18 906	30 167
Receivables from advances to suppliers	14 249	4 214
<b>Total receivables</b>	<b>33 155</b>	<b>34 381</b>

The Group has established a registered pledge of trade receivables under loan contracts (See Note 18).

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**11. Loans granted**

Borrower	Principle under the contract	Balance as at 30.09.2018	Annual interest rate
<b>Individual 1</b>	1	1	3.60
<b>Company 2</b>	20	14	7.00
<b>Company 3</b>			
Contract 1	120	7	2.50
Contract 2	50	3	2.50
Contract 3	100	7	2.50
Contract 4	100	105	2.50
Contract 5	400	418	2.50
Contract 6	100	4	2.50
Contract 7	100	104	2.50
Contract 8	100	104	2.50
Contract 9	100	104	2.50
<b>Company 4</b>			
Contract 1	45	40	2.50
Contract 2	60	60	2.50
Contract 3	60	60	2.50
Contract 5	45	45	2.50
Contract 4	70	70	2.50
Contract 6	15	15	2.50
<b>Company 5</b>			
Contract 1	140	141	2.50
Contract 2	70	71	2.50
Contract 3	334	339	2.50
Contract 4	170	171	2.50
Contract 5	285	287	2.50
Contract 6	550	555	2.50
Contract 7	65	65	2.50
Contract 8	180	182	2.50
Contract 9	65	66	2.50
Contract 10	40	40	2.50
Contract 11	60	60	2.50
<b>Company 6</b>	40	41	2.50
<b>Company 7</b>	5 016	5 016	2.00
<b>Total</b>	<b>8 501</b>	<b>8 195</b>	

Loans are granted to unrelated parties.

**12. Other current receivables**

<i>In BGN'000</i>	<b>30 September 2018</b>	<b>31 December 2017</b>
Taxes refundable	1 170	955
Court and awarded receivables	72	55
Other interest receivables	-	77
Prepayments	229	145
Other receivables	362	174
<b>Total</b>	<b>1 833</b>	<b>1 406</b>

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**13. Cash and cash equivalents**

<i>In BGN'000</i>	<b>30 September 2018</b>	<b>31 December 2017</b>
Cash on hand	393	97
Cash in current accounts	1 813	2 792
<b>Total cash and cash equivalents</b>	<b>2 206</b>	<b>2 889</b>

**14. Equity**

**Share capital**

	<b>Number of voting shares</b>	<b>Number of non- voting shares</b>	<b>Amount, BGN'000</b>
As at 30 September 2018	<u>243 608 710</u>	<u>-</u>	<u>243 609</u>

Shareholders of GRADUS AD as at 30 September 2018:

<b>Shareholders</b>	<b>Number of voting shares</b>	<b>Number of non- voting shares</b>	<b>% shareholding</b>
Ivan Agnelov Agnelov	99 195 645	-	40,72
Luka Agnelov Agnelov	99 195 645	-	40,72
Legal entities	40 911 510	-	16,79
Individual shareholders	4 305 910	-	1,77
Total:	<u>243 608 710</u>	<u>-</u>	<u>100,00</u>

**Equity**

<i>In BGN'000</i>	<b>30 September 2018</b>	<b>31 December 2017</b>
Share capital	243 609	221 000
Issue premium	44 200	44 200
Issue premium from the issue of securities	18 087	-
Reserve from actuarial revaluations	(29)	(29)
Accumulated profit / loss	19 881	3 372
Non-controlling interest	1 631	1 556
<b>Total equity</b>	<b><u>327 379</u></b>	<b><u>270 099</u></b>

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**15. Deferred tax assets and liabilities**

**Deferred tax assets and liabilities recognised**

Deferred tax assets and liabilities recognised originate from the following:

	Assets		Liabilities		Net	
	30.09.2018	31.12.2017	30.09.2018	31.12.2017	30.09.2018	31.12.2017
<i>In BGN'000</i>						
Property, plant and equipment	4	-	(202)	(9 697)	(9 895)	(9 697)
Intangible assets	-	-	-	(5 327)	(5 327)	(5 327)
Revaluation reserve	3	-	-	-	3	-
Subsequent evaluation of investment property	-	-	-	(453)	(453)	(453)
Tax loss	39	21	(11)	-	49	21
Impairment of receivables	-	124	-	-	124	124
Employee benefits	-	3	(1)	-	2	3
Long-term retirement benefits	-	20	-	-	20	20
Impairment of inventories	137	354	-	-	491	354
Compensated leaves	-	18	(12)	-	6	18
	<b>183</b>	<b>540</b>	<b>(226)</b>	<b>(15 477)</b>	<b>(14 980)</b>	<b>(14 937)</b>

**Movements in temporary differences during the period 01 January 2018 – 30 September 2018**

*In BGN'000*

	Recognised in :			Balance sheet 30.09.2018
	Balance sheet 31.12.2017	Profits and losses	Other comprehensive income	
Property, plant and equipment	(9 697)	(198)	-	(9 895)
Intangible assets	(5 327)	-	-	(5 327)
Revaluation reserve	-	3	-	3
Subsequent evaluation of Investment property	(453)	-	-	(453)
Tax loss	21	28	-	49
Impairment of receivables	124	-	-	124
Employee benefits	3	(1)	-	2
Long-term retirement benefits	20	-	-	20
Impairment of inventories	354	137	-	491
Compensated leaves	18	(12)	-	6
<b>Total:</b>	<b>(14 937)</b>	<b>(43)</b>	<b>-</b>	<b>(14 980)</b>

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**16. 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 30 September 2018. 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 2018</b>	<b>31 December 2017</b>
<b>Present value of the obligation on 1 January</b>	<b>211</b>	<b>211</b>
Payments during the period	-	-
Effects of subsequent evaluations during the period	-	-
<b>Present value of the obligation on 30 September</b>	<b><u>211</u></b>	<b><u>211</u></b>

**17. Other non-current liabilities**

<i>In BGN'000</i>	<b>30 September 2018</b>	<b>31 December 2017</b>
Long-term portion of financing	<u>1 400</u>	<u>297</u>
Total	<b><u>1 400</u></b>	<b><u>297</u></b>

Financing is received under a contract of 2015 between Gradus-98 AD (Biser Oliva 98 AD) and the State Agricultural Fund for the acquisition of tangible fixed assets. The amount of the approved financing under this contract amounts to BGN 924 thousand.

The short-term portion of the financing amounts to BGN 74 thousand.

Financing is received under a contract of 2015 between Gradus-98 AD (Biser Oliva 98 AD) and the State Agricultural Fund for the acquisition of tangible fixed assets. The amount of the approved financing under this contract amounts to BGN 200 thousand.

The short-term portion of the financing amounts to BGN 44 thousand.

Financing is received under a contract of 2018 between Gradus-1 EOOD and the State Agricultural Fund for the acquisition of tangible fixed assets. The amount of the approved financing under this contract amounts to BGN 1,565 thousand.

The short-term portion of the financing amounts to BGN 130 thousand.

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**18. Bank loans**

<b>Bank</b>	<b>Approved amount BGN'000</b>	<b>Currency</b>	<b>Maturity</b>	<b>30.09.2018 Liability in BGN'000</b>
<b>"Bank 1" – borrower Gradus-1 EOOD</b>				
Loan 1	12 000	BGN	30.10.2018	11 566
Loan 2	2 800	BGN	30.10.2018	2 092
Loan 3	15 000	BGN	30.10.2018	-
<b>"Bank 1" – borrower Gradus-3 AD</b>				
Loan 1	12 000	BGN	30.10.2018	-
Loan 2	2 800	BGN	30.10.2018	-
Loan 3	15 000	BGN	30.10.2018	-
<b>"Bank 2" – borrower Gradus-3 AD</b>				
Loan 1	10 000	BGN	19.08.2019	5 900
<b>"Bank 3" – borrower Gradus-3 AD</b>				
Loan 1	16 625	Евpo	29.12.2018	-
Loan 2	12 713	Евpo	29.12.2018	-
Loan 3	9 779	Евpo	29.12.2018	-
<b>Total:</b>				<b>19 558</b>

One-month SOFIBOR plus a margin of up to 1.5 points is usually applied to loans denominated in BGN.  
 One-month EURIBOR plus a margin of up to 1.25 points is usually applied to loans denominated in EUR.

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

		<b>FTAs BGN'000</b>	<b>Receivables BGN'000</b>	<b>Inventories BGN'000</b>
<b>"Bank 1"</b>				
Gradus 3	Loan 1	-	-	2 000
Gradus 1	Loan 1	9 923	-	3 500
Gradus 3	Loan 2	-	-	3 500
Gradus 1	Loan 2	-	2 231	-
Gradus 3	Loan 3	2 533	-	-
Gradus 1	Loan 3	13 269	-	-
<b>"Bank 2"</b>				
Gradus 3	Loan 1	11 684	-	-
<b>"Bank 3"</b>				
Gradus 3	Loan 1	3 957	-	-
Gradus 3	Loan 2	1 169	-	3 000
Gradus 3	Loan 3	-	-	3 400
	<b>Total:</b>	<b>42 535</b>	<b>2 231</b>	<b>15 400</b>

**19. Trade payables**

<i>In BGN'000</i>	<b>30 September 2018</b>	<b>31 December 2017</b>
Payables to suppliers	7 512	6 671
Payables on advances	139	38
	<b>7 651</b>	<b>3 717</b>

**20. Tax liabilities**

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<i>In BGN'000</i>	<b>30 September 2018</b>	<b>31 December 2017</b>
VAT payable	437	817
Corporate income tax	486	16
Individuals' income tax	132	74
Other taxes	-	35
	<u><b>1 055</b></u>	<u><b>942</b></u>

**21. Payables to personnel and social security**

<i>In BGN'000</i>	<b>30 September 2018</b>	<b>31 December 2017</b>
Payables to personnel	1 368	1 040
Payables to social security	505	410
Payables on unused paid leave	2	42
<b>Total</b>	<u><b>1 875</b></u>	<u><b>1 492</b></u>

**22. Other current liabilities**

<i>In BGN'000</i>	<b>30 September 2018</b>	<b>31 December 2017</b>
Liability under a contract for the supply of FTAs	359	383
Other financing	-	129
Financing for FTAs	248	74
Dividends payable to individuals	9	-
Insurance liabilities	35	26
Pledge	14	14
Other liabilities	10	5
<b>Total</b>	<u><b>675</b></u>	<u><b>631</b></u>

**23. Sales revenue**

<i>In BGN'000</i>	<b>30 September 2018</b>
Sale of finished products	82 240
Sale of good	15 281
Sale of transportation and other services	578
	<u><b>98 099</b></u>

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**24. Other operating income**

<i>In BGN'000</i>	<b>30 September 2018</b>
Rental income	506
Revenue from sale of materials and FTAs, net	337
Income from financing	11 014
Income from revaluation of biological assets	190
Income from compensated leaves	50
Other income	144
	<b><u>12 241</u></b>

**25. Expenses on raw materials and materials**

<i>In BGN'000</i>	<b>30 September 2018</b>
Materials and components	37 936
Spices and wrappers	5 032
Basic auxiliary materials	1 492
Electricity	2 557
Fuel and lubricants	452
Heating materials	985
Natural gas	629
Water and steam	310
Other expenses	6 997
	<b><u>56 390</u></b>

**26. Hired service expenses**

<i>In BGN'000</i>	<b>30 September 2018</b>
Costs of marketing and advertising	1 531
Costs of forwarding services and commissions	492
Rental expenses	98
Costs of transportation services	334
Expenses on repair and maintenance	471
Charges, certificates, permits	124
Tax expenses and fees	467
Insurance costs	276
Costs of veterinary services and researches	357
Costs of security	191
Audit expenses	100
Inventory activity commissions	60
Costs of consulting services	801
Subscription fees	4
Translation / interpretation services	17
Other expenses	719
	<b><u>5 942</u></b>

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**27. Personnel expenses**

<i>In BGN'000</i>	<b>30 September 2018</b>
Salaries and wages	14 495
Social security expenses	2 491
	<u><b>16 986</b></u>

**28. Other expenses**

<i>In BGN'000</i>	<b>30 September 2018</b>
Technological scrap	1 626
Impairment of inventories	4 368
Waste	6
Expenses on shortage of assets	10
Receivables written off	154
Business trip expenses	42
Entertainment expenses	148
Donations	21
Other expenses	966
	<u><b>7 341</b></u>

**29. Finance income and finance costs**

<i>In BGN'000</i>	<b>30 September 2018</b>
Interest income	81
Income from changes in exchange rates	372
Other income	1
<b>Total finance income</b>	<u><b>454</b></u>
Interest expenses	(403)
Expenses on changes in exchange rates	(235)
Bank charges	(168)
<b>Total finance costs</b>	<u><b>(806)</b></u>
<b>Total finance income/ finance costs, net</b>	<u><b>(352)</b></u>

**30. Tax expenses**

**Current tax for the period 01 January – 30 September 2018**

Tax for the period	(1 560)
Deferred tax	
Occurrence and reversal of temporary differences	(43)
<b>Total taxes recognized in profits and losses</b>	<u><b>(1 603)</b></u>

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**31. Financial instruments**

**Credit risk**

The carrying amount of financial assets is their maximum credit exposure. The maximum credit exposure at the date of the financial statements is as follows:

<i>In BGN'000</i>	<b>30 September 2018</b>	<b>31 December 2017</b>
Related party receivables	6 069	4 947
Trade receivables	18 906	30 167
Loans granted	8 195	1 380
Cash and cash equivalents	1 813	2 792
<b>Total assets:</b>	<b><u>34 983</u></b>	<b><u>39 286</u></b>

**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**

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

**30 September 2018**

<i>In BGN'000</i>	Carrying amount	Contractual cash flows	Within 6 months	6-12 months
Bank loans	19 558	19 558	-	19 558
Payables to related parties	465	465	465	-
Trade payables	7 512	7 512	7 512	-
<b>Total:</b>	<b><u>27 535</u></b>	<b><u>27 535</u></b>	<b><u>7 977</u></b>	<b><u>19 558</u></b>

**31 December 2017**

<i>In BGN'000</i>	Carrying amount	Contractual cash flows	Within 6 months	6-12 months
Bank loans	46 890	46 890	-	46 890
Payables to related parties	479	479	479	-
Trade payables	3 379	3 679	3 679	-
<b>Total:</b>	<b><u>51 048</u></b>	<b><u>51 048</u></b>	<b><u>4 158</u></b>	<b><u>46 890</u></b>

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**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.

<i>In BGN'000</i>	<b>Interest-bearing</b>		<b>Interest-free</b>	<b>Total</b>
	<i>Fixed interest rate %</i>	<i>Variable interest rate %</i>		
<b>30 September 2018</b>				
Related party receivables	2 643	-	3 426	6 069
Trade receivables	-	-	18 906	18 906
Loans granted	8 195	-	-	8 195
Cash and cash equivalents	-	-	2 206	2 206
<b>Total financial assets</b>	<b>10 838</b>	<b>-</b>	<b>24 538</b>	<b>35 376</b>
Bank loans	-	19 558	-	19 558
Trade payables	-	-	7 512	7 512
Payables to related parties	-	-	465	465
<b>Total financial liabilities</b>	<b>-</b>	<b>19 558</b>	<b>7 977</b>	<b>27 535</b>

<i>In BGN'000</i>	<b>Interest-bearing</b>		<b>Interest-free</b>	<b>Total</b>
	<i>Fixed interest rate %</i>	<i>Variable interest rate %</i>		
<b>31 December 2017</b>				
Related party receivables	-	-	4 947	4 947
Trade receivables	-	-	30 167	30 167
Loans granted	1 380	-	-	1 380
Cash and cash equivalents	-	-	2 889	2 889
<b>Total financial assets</b>	<b>1 380</b>	<b>-</b>	<b>38 003</b>	<b>39 383</b>
Bank loans	-	46 890	-	46 890
Trade payables	-	-	3 679	3 679
Payables to related parties	-	-	479	479
<b>Total financial liabilities</b>	<b>-</b>	<b>46 890</b>	<b>4 158</b>	<b>51 048</b>

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**Fair values**

**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 2018</b>		<b>31 December 2017</b>	
	Carrying amount	Fair value	Carrying amount	Fair value
Related party receivables	6 067	6 067	4 947	4 947
Trade receivables	18 906	18 906	30 167	30 167
Loans granted	8 195	8 195	1 380	1 380
Cash and cash equivalents	2 206	2 206	2 889	2 889
<b>Total assets</b>	<b>35 376</b>	<b>35 376</b>	<b>39 383</b>	<b>39 383</b>
Payables to related parties	465	465	479	479
Trade payables	7 512	7 512	3 679	3 679
Bank loans	19 558	19 558	46 890	46 890
<b>Total liabilities</b>	<b>27 535</b>	<b>27 535</b>	<b>51 048</b>	<b>51 048</b>

**32. Related party transactions**

**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>Type of relationship</b>
Luka Angelov Angelov	Equity owner
Ivan Angelov Angelov	Equity owner
Gradus-1 EOOD	Subsidiary
Gradus-3 AD	Subsidiary
Millennium 2000 EOOD	Subsidiary
Gradus-98 AD	Subsidiary
Zhyuliv EOOD	Subsidiary
Lora-2004 EOOD	Subsidiary
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
Wolf OOD	Relationship through a person exercising significant influence
Biser Oliva AD	Relationship through a person exercising significant influence
SP Gradus-Ivan Angelov-55	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
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

**GRADUS AD**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2018**

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<i>In BGN'000</i>	<b>30 September 2018</b>	<b>31 December 2017</b>
Trade loans granted	2 643	2 204
Receivables from sales of products and materials	3 426	2 743
<b>Total receivables from related parties:</b>	<b>6 069</b>	<b>4 947</b>

**Trade loans granted to related parties:**

Principal of BGN 2,091 thousand and interest of BGN 552 thousand.

**Receivables from sales of products and materials are current and interest free.**

***Payables to related parties:***

Purchases of goods and materials of BGN 465 thousand.

**Payables to related parties are current, interest free and not further secured.**

**33. Contingent liabilities**

The Group has provided a good performance guarantee amounting to BGN 80 thousand in order to secure an obligation of Marina 2003 EOOD to South-West State Enterprise.

**34. Events after the reporting date**

There were no other significant events occurring after 30 June 2018 that require additional adjustments and / or disclosures in the financial statements as at 30 September 2018.