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

1.1. Ownership and management

Gradus AD is a public company in accordance with the Public Offering of Securities Act.

Shareholders of the Company as at 31 December 2018:

- Luka Angelov Angelov – 40.72% of the capital,
- Ivan Angelov Angelov – 40.72% of the capital
- Legal entities – 15.65% of the capital
- Individual shareholders – 2.91% of the capital.

Management bodies of the Company

- General Meeting of Shareholders
- Board of Directors

2. Basis of preparation of the consolidated financial statements

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. The annual 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 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).

3. Significant accounting policies (continued)

(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 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 through 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 through 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:

	2018	**2017**
	Annual depreciation rate , %	**Annual depreciation rate, %**
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

3. Significant accounting policies (continued)

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).

(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.

	2018	**2017**
	Annual amortisation rate, %	**Annual amortisation rate, %**
Intellectual property rights	15	15
Industrial property rights	15	15
Other intangible assets	6.67 – 33.33	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.

3. Significant accounting policies (continued)

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. 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.

(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.

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.

3. Significant accounting policies (continued)

Agricultural produce harvested from the entity's biological assets is measured at fair value at the time of harvest less costs to sell.

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

Upon initial recognition of a biological asset, a loss may arise when costs are higher than fair value less the costs of selling the biological asset. A gain may arise upon initial recognition of the biological asset. A gain or loss that has occurred on initial recognition of agricultural produce at fair value less costs to sell is recognised through profit or loss for the period in which it has occurred.

Unconditional grants provided by the State in relation to a biological asset measured at fair value less costs to sell are recognised through profit or loss when it is possible to obtain these grants..

(h) 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.

(i) Trade and other receivables

Trade receivables are an unconditional right of an entity 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.

Impairment
Accounting policy applicable from 1 January 2018
The Company 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.

3. Significant accounting policies (continued)

Accounting policy applicable until 31 December 2017
The impairment of trade receivables is valued using the model of 'suffered losses. Losses on doubtful and bad debts are estimated, when the collection of the entire sum or part thereof is highly uncertain. Bad debts are written off when the legal grounds for this occur.

(j) 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 company 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 company for the respective period (month);
- proceeds from and payments from and on overdrafts are reported net by the company in cash flows from financing activity.

(k) Financial instruments

Accounting policy applicable until 31 December 2017:

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 Company 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 Company 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 Company'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.

3. Significant accounting policies(continued)

(k) Financial instruments (continued)

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

Classification groups
Financial assets at amortised cost (debt instruments)
The Company 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 Company'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 Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company 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 Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company 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 Company 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 Company could be required to repay.

3. Significant accounting policies (continued)

(k) Financial instruments (continued)

Expected credit loss on financial assets
The Company 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 Company 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 Company has adopted the general approach to impairment as set by IFRS 9. According to this approach, the Company 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).

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 company'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 Company 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 Company applies a simplified approach to calculate expected credit losses and does not follow subsequent changes in their credit risk. According to this approach, the Company 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.

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.

3. Significant accounting policies (continued)

(k) Financial instruments (continued)

Loans and other borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured by the Company 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.

This requirement derives from the idea of the real business nature of the company'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 Company 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 Company 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:

- the right should not depend on a 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*.

Financial assets
The Company classifies its financial assets in the category of loans and receivables, including cash and cash equivalents. The classification depends on the substance and objectives (purpose) of the Company’s financial assets at the date of their initial recognition.

Financial assets are derecognised from the Company’s statement of financial position when the rights to receive the cash flows from these assets have expired or have been transferred, and the Company has transferred significantly all risks and rewards from the ownership over the asset to another entity (person).

3. Significant accounting policies (continued)

(k) Financial instruments (continued)

At each reporting date the Group assesses whether objective evidence exists that a financial asset not carried at fair value through profit or loss should be impaired. A financial asset is impaired only if there are objective evidence for impairment as a result of one or more events occurring after the initial recognition of the asset and this loss event has had an impact on the estimated future cash flows from this asset and can assessed reliably.

Objective evidence of impairment of a financial asset may include default or delinquency of the debtor, restructuring of the dent to the Group under conditions which the Group would not have considered otherwise, indications that a debtor will enter into insolvency proceeding, adverse changes in the payment status of a debtor, business conditions that result in defaults or the disappearance of an active market for a particular security.

The Group assesses whether evidence of impairment of loans and receivables exists for a specific asset or collectively. All receivables that are individually significant are checked for specific impairment. All individually significant loans and receivables, for which there is no specific impairment, are then assessed collectively for impairment, which has occurred but have not yet been identified. Loans and receivables that are not individually significant are included in a collective assessment of impairment, grouped by similar risk characteristics.

When assessing collectively for impairment, the Group uses historical trends of the probability of default, recovery time and the amount of losses incurred, adjusted by the management's judgement as to whether the current economic and credit conditions are such that actual losses are likely to be greater or lower than those assumed on the basis of historical trends.

The amount of the impairment loss on a financial asset carried at amortised cost is measured as the difference between the book value and the present value of estimated future cash flows discounted at the original effective interest rate. The impairment loss is recognised through profit or loss and reported in an allowance account reducing the amount of loans and receivables. When an event, which has occurred after an impairment has been recognised, reduces the impairment loss, this reduction is reversed through profit or loss.

Financial liabilities

Financial liabilities consist of loans and payables to suppliers and other contractors. Initially, they are recognised in the statement of financial position at their fair value net of direct transaction costs, and subsequently – at amortised cost using the effective interest rate method.

(l) 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.

(m) 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 company, and subsequently, at amortised cost.

3. Significant accounting policies (continued)

(n) 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 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.

(o) 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.

3. Significant accounting policies (continued)

(p) Revenue

Accounting policy applicable after 01 January 2018:

Recognition of revenue from contracts with customers
The Company's usual revenue originates from the following activities: sale of fodder, sale of grain, revenue from transport services, rental income.

The Company'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 Company performs its obligations. In the initial assessment of its contracts with customers, the company 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 Company 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.

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 company expects to be entitled, excluding amounts collected on behalf of third parties. When determining the transaction price, the company 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 Company originates mainly from the sale of goods. In general, the Company 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
Revenue from sale of goods originates mainly from the sale of grain. 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.

3. Significant accounting policies(continued)

(p) Revenue (continued)

Revenue from sale of services

Services provided by the Company consist of transport services. 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 company's Liabilities (a stage of completion). To measure the stage of completion, the Company 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 company 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.

Accounting policies applicable until 31 December 2017:

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.

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.

(q) Lease payments

Lease payments under an operating lease are recognised through 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.

3. Significant accounting policies(continued)

(q) Lease payments (continued)

(i) Determination of whether an arrangement contains a lease

At the commencement of an agreement, the Company 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 Company 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 Company apportions the payments and any other requirements under the agreement between leases and other elements based on their relative fair values. If the Company 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 li0ability is reduced when the relevant payments are made and a finance cost is recognised by using the differential interest rate of the Company.

(r) 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.

(s) 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 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.

3. Significant accounting policies (continued)

(s) Income tax (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.

(t) Effects from the first-time adoption of IFRS 9 and IFRS 15

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

An exception to this rule is the presentation of the effects from the first-time adoption of IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. The Group has chosen to apply the modified retrospective approach to the first-time adoption of IFRS 15 Revenue from Contracts with Customers. In the first-time adoption of IFRS 9 Financial Instruments, the Group has applied the exemptions (relief) and significant adjustments were not identified.

IFRS 9 Financial instruments replaces the provisions of IAS 39 Financial instruments: Recognition and Measurement in connection with the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedging accounting. New classification criteria and groups of financial assets have been introduced, and respectively, new rules for their subsequent measurement and the recognition of interest income. Upon the first-time adoption of IFRS 9 Financial instruments, the Group applied for the first time the exemptions (relief) by imposing the requirements of the standard on the financial instrument contracts opened on 01 January 2018.

IFRS 15 Revenue from Contracts with Customers replaces IAS 18 Revenue, which covers contracts for goods and services, as well as IAS 11 Constriction Contracts, which covers construction contracts and related SIC and IFRIC. The adoption of the new IFRS 15 Revenue from Contracts with Customers significantly increases the use of estimates upon revenue recognition and provides guidance on the reporting of contract costs. The Group has applied the requirements of IFRS 15 to all contracts not yet completed as of 01 January 2018, using the practical relief for modified customer contracts.

On 1 January 2018 management analysed the Group's financial instruments and had not identified any instruments that should be reclassified.

The cumulative effect of the first-time adoption of IFRS 9 is immaterial and therefore, it has not been reported in these financial statements.

3. Significant accounting policies(continued)

Effects from the first-time adoption of IFRS 9 and IFRS 15 (continued)

IFRS 9 Financial instruments
The effects from the adoption of IFRS 9 on the Company's retained earnings on 1 January 2018 are as follows:

	BGN'000
Retained earnings at 31 December 2017	**3 372**
Expected credit losses on trade receivables	(1 303)
Increase in deferred tax assets relating to expected credit losses accrued	130
Effect from the adoption of IFRS 9 as at 1 January 2018	**(1 173)**
Retained earnings as at 1 January 2018 after the effect of IFRS 9	**2 199**

IFRS 15 Revenue from contracts with customers

Effects on the statement of comprehensive income	**2018 reported under IFRS 15**	**2018 reported under the repealed IAS18/ IAS11 and the related SIC and IFRIC**	**Effect of the changes in the revenue reporting policies**
	BGN'000	**BGN'000**	**BGN'000**
Sales revenue	141 390	145 630	(4 240)
Other income	13 996	13 996	-
Dividend income	3 004	3 004	-
Change in stock of products	14 343	14 343	-
Expenses on raw materials and materials	(25 551)	(25 551)	-
Hired service expenses	(78 753)	(78 753)	(4 240)
Depreciation / amortisation expenses	(7 483)	(11 723)	-
Personnel expenses	(6 119)	(6 119)	-
Impairment of assets	(23 199)	(23 199)	-
Other expenses	(10 849)	(10 849)	-
Cost of goods sold	(4 038)	(4 038)	-
Operating profit	**16 741**	**16 741**	**-**
Finance income	334	334	-
Finance expenses	(695)	(695)	-
Profit before taxes	**16 380**	**16 380**	**-**
Income tax expense	(1 726)	(1 726)	-
Net profit for the year	**14 654**	**14 654**	**-**
Other comprehensive income	**360**	**360**	**-**
Total comprehensive income for the year	**15 014**	**15 014**	**-**

3. Significant accounting policies(continued)

(u) Key estimates and assumptions
Estimates since 01 January 2018

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 company'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.

Estimates until 31 December 2017

Impairment of receivables

An impairment loss of trade and loan receivables and other financial resources 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.

3. Significant accounting policies (continued)

(u) Key estimates and assumptions (continued)

Estimates for 2017 and 2018

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.

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.

(v) 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.

(w) 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.

3. Significant accounting policies (continued)

(w) Subsidiaries (continued)

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 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.

3. Significant accounting policies (continued)

(x) New standards and interpretations

In the current year, the Group adopted all new and revised IFRS, which are relevant to its activity and are effective for the reporting period commencing on 1 January 2018. The effects from the application of these new standards are as follows:

Standards issued by IASB/IFRIC and endorsed by the EU, but not yet effective and not adopted earlier

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

IFRSIC 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019) - Management does not expect that the adoption of this interpretation will have a significant effect on the financial statements of the Group.

Amendment to IFRS 9 Financial Instruments - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019) - Management does not expect that the adoption of this amendment will have a significant effect on the financial statements of the Group.

IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019). The Group adopts IFRS 16 on 1 January 2019 and intends to apply the modified method of implementation. IFRS 16 requires lessees to report all leases under a unified model requiring their recognition in the balance sheet, an approach similar to that applied to finance lease reporting under IAS 17. The Group has reviewed and analysed all lease agreements in the light of the requirements of the new IFRS 16. The standard will mainly affect the group's operating leases as a lessee. The effects from application of IFRS 16 are expected to be as follows:

a) The Group expects to recognize a right-of-use asset of about BGN 350 thousand on 01 January 2019 and respectively, lease liabilities of BGN 350 thousand.

b) The Group expects the 2019 net profit to decrease by about BGN 4 thousand as a result of the adoption of the new standard.

c) It is expected that the observable indicator EBITDA will increase by about 90 thousand due to reporting of lease expenses as depreciation expenses for the right-of-use asset and interest expenses on the lease liability.

d) The net cash flows from operating activity will increase and the net cash flows from financing activity will decrease by about 90 thousand, as the payments for principal under lease contracts will be recognised entirely as part of the financing activity.

Standards and interpretations issued by IASB, but not yet endorsed by 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 statements of the Group.

3. Significant accounting policies(continued)

(x) New standards and interpretations (continued)

Amendments to IAS 19 Employment Benefits – Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019) – Management does not expect that the adoption of this amendment will have a significant impact on the financial statements of the Group.

Amendments to Different Standards Improvements to IFRS (Cycle 2015-2017) resulting from the annual IFRS Improvements Project (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily aiming to eliminate contradictions and clarify formulations (effective for annual periods beginning on or after 1 January 2019) - Management does not expect that the adoption of these amendments will have a significant impact on the financial statements of the Group.

Revision of the Conceptual Framework for Financial Reporting (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 statements 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 statements of the Group.

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (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 statements of the Group.

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

4. Fixed tangible assets

In BGN'000	**Land**	**Buildings**	**Plant and equipment**	**Facilities**	**Motor vehicles**	**Fixtures and fittings and other fixed assets**	**In the process of acquisition and construction**	**Total**
Cost								
Balance at 31 December 2017	16 466	87 868	36 366	22 665	12 576	3 840	4 707	184 488
Additions	490	2 840	4 012	879	885	60	4 028	13 194
Revaluation	-	432	-		-	-	-	432
Transfers			772	1 841	858	52	(3 523)	-
Disposals	-	-	(85)	-	(67)	(147)	-	(299)
Balance at 31 December 2018	16 956	91 140	41 065	25 385	14 252	3 805	5 212	197 815
Depreciation								
Balance at 31 December 2017	-	(878)	(3 129)	(257)	(8 115)	(2 169)	-	(14 548)
Depreciation charge for the period	-	(1 339)	(3 053)	(352)	(925)	(313)	-	(5 982)
Disposals	-	-	12	-	32	79	-	123
Balance at 31 December 2017	-	(2 217)	(6 170)	(609)	(9 008)	(2 403)	-	(20 407)
Net book value								
At 31 December 2017	16 466	86 990	33 237	22 408	4 461	1 671	4 707	169 940
At 31 December 2018	**16 956**	**88 923**	**34 895**	**24 776**	**5 244**	**1 402**	**5 212**	**177 408**

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.

In BGN'000	**Trademarks**	**Software**	**Leasehold improvements**	**Licenses and others**	**Total**
Cost					
At 31 December 2017	53 273	47	678	310	54 308
Additions	-	4	-	97	101
At 31 December 2018	53 273	51	678	407	54 409
Amortisation					
At 31 December 2017	-	(40)	(104)	(191)	(335)
Amortisation charge for the period	-	(1)	-	(136)	(137)
At 31 December 2018	-	(41)	(104)	(327)	(472)
Net book value					
At 31 December 2017	53 273	7	574	119	53 973
At 31 December 2018	53 273	10	574	80	53 937

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

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 31 December 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.

Group companies:

		Effective participation of the parent company
Gradus AD	Parent company	-
Gradus-1 EOOD	Subsidiary of Gradus AD	100%
Zhyuliv EOOD	Subsidiary of Gradus AD	100%
Lora-2004 EOOD	Subsidiary of Gradus AD	100%
Millenium-2000 EOOD	Subsidiary of Gradus AD	100%
Gradus-98 AD	Subsidiary of Gradus AD	99,94%
Gradus-3 AD	Subsidiary of Gradus -1 EOOD	96%

Gradus AD Group	**Gradus-1**	**Zhyuliv**	**Lora-2004**	**Milenium 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	(140 739)	(16 103)	(10 143)	(31 630)	(47 234)	(245 849)
Goodwill	10 535	97	957	4 070	4 997	20 656

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	(102 901)	(37 838)	(140 739)
Goodwill	10 935	(400)	10 535

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

7. Non-controlling interest

	Non-controlling interest, %	Balance at 31.12.2017г.	Result for the period	Balance at 31.12.2018
Gradus-3 AD	4%	1 525	111	1 636
Gradus-98 AD	0,066%	31	3	34
		1 556	**114**	**1 670**

	Non-controlling interest, %	Balance at 28.11.2017г.	Result for the period	Balance at 31.12.2017
Gradus-3 AD	4%	1 514	11	1 525
Gradus-98 AD	0,066%	31	-	31
		1 545	**11**	**1 556**

8. 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 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. As of 31 December 2018, the carrying amount of the investment properties amounted to BGN 7,077 thousand (2017: BGN 6,350 thousand).

9. Inventories

In BGN'000	31 December 2018	31 December 2017
Raw materials and materials	23 899	20 850
Finished products	7 228	6 833
Goods	12 727	7 298
Animals for fattening	5 583	4 662
Work in progress	4 170	4 129
Total inventories	**53 607**	**43 772**

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

10. Trade receivables

In BGN'000	31 December 2018	31 December 2017
Receivables from counterparties	20 037	30 167
Receivables from advances to suppliers	8 164	4 214
Total receivables	**28 201**	**34 381**

Trade receivables are current, interest-free, denominated in Bulgarian leva and relate to the sale of goods, products and services.
Until 31 December 2017, the Group applied the incurred loss model upon uncollectability based on an individual assessment. In 2018, 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.

11. Loans granted

In BGN'000	Maturity	**Collateral**	**Interest rate**	**31 December 2018**	**31 December 2017**
Company 1	2019	He	2.5%	4 944	1 207
Company 2	2019	He	2.5%	966	-
Company 3	2019	He	4%	763	-
Company 4	2019	He	2%	50	-
Company 5	2019	He	2.5%	41	-
Company 6	2019	He	7%	13	21
Natural person 1	2018	He	6.1%	-	152
Total				**6 777**	**1 380**

The Group granted short-term trade loans to unrelated parties that are not secured and bear an annual interest rate between 2% and 4%.

12. Other current receivables and prepayments

In BGN'000	**31 December 2018**	**31 December 2017**
Taxes refundable	1 803	955
Court and awarded receivables	71	55
Other interest receivables	-	77
Prepayments	284	145
Other receivables	275	174
Total	**2 433**	**1 406**

13. Cash and cash equivalents

In BGN'000	**31 December 2018**	**31 December 2017**
Cash on hand	350	97
Cash in current accounts	6 910	2 792
Total cash and cash equivalents	**7 260**	**2 889**

14. Equity

Share capital

	Number of voting shares	**Amount, BGN'000**
As at 31 December 2017	221 000 000	221 000
Share issue	22 608 710	22 609
As at 31 December 2018	243 608 710	243 609

14. Equity (continued)

Shareholders of GRADUS AD as at 31 December 2018:

Shareholders	**Number of voting shares**	**% shareholding**
Ivan Agnelov Agnelov	99 195 645	40,72
Luka Agnelov Agnelov	99 195 645	40,72
Legal entities	38 134 878	15,65
Individual shareholders	7 082 542	2,91
Total:	243 608 710	100,00

Shareholders of GRADUS AD as at 31 December 2017:

Company	**Брой акции с право на глас**	**% Акционерен дял**
Ivan Agnelov Agnelov	110 500 000	50
Luka Agnelov Agnelov	110 500 000	50
Total:	221 000 000	100,00

Equity

In BGN'000	**31 December 2018**	**31 December 2017**
Share capital	243 609	221 000
Issue premium	44 200	44 200
Issue premium from the issue of securities	18 087	-
Revaluation reserve	404	-
Reserve from actuarial revaluations	(73)	(29)
Accumulated profit / loss	16 666	3 372
Non-controlling interest	1 670	1 556
Total equity	**324 563**	**270 099**

Earnings per share

Earnings per share are calculated by deviding the net profit attributable to shareholders with the average weighted number of ordinary shares circulating throughout the year.

	2018	**2017**
Net profit attributable to shareholders, BGN'000	14 654	3 383
Average weighted number of ordinary shares	243 608 710	221 000 000
Earnings per share in BGN	**0.06**	**0.015**

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	
In BGN'000	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Property, plant and equipment	-	-	(10 145)	(9 697)	(10 145)	(9 697)
Intangible assets	-	-	(5 327)	(5 327)	(5 327)	(5 327)
Revaluation reserve	-	-		-		-
Subsequent evaluation of investment property	50	-	(453)	(453)	(403)	(453)
Tax loss	128	21	-	-	128	21
Provision for expected credit losses	93	-	-	-	93	-
Impairment of receivables	139	124	-	-	139	124
Employee benefits	13	3		-	13	3
Long-term retirement benefits	25	20		-	25	20
Impairment of inventories	708	354		-		354
Compensated leaves	33	18		-		18
	1 189	**540**	**(15 925)**	**(15 477)**	**(14 736)**	**(14 937)**

Movements in temporary differences during the period 01 January 2018 – 31 December 2018

In BGN'000	**Balance sheet 31.12.2017**	**Profits and losses**	**Effect from the first-time adoption of IFRS 9**	**Other comprehensive income**	**Balance sheet 31.12.2018**
Property, plant and equipment	(9 697)	(405)	-	(43)	(10 145)
Intangible assets	(5 327)	-	-	-	(5 327)
Subsequent evaluation of Investment property	(453)	50	-	-	(403)
Tax loss	21	107	-	-	128
Impairment of receivables	124	15	-	-	139
Employee benefits	3	10	-	-	13
Long-term retirement benefits	20	1	-	4	25
Impairment of inventories	354	354	-	-	708
Compensated leaves	18	15	-	-	33
Provision for expected credit losses	-	(37)	130		93
Total:	**(14 937)**	**110**	**130**	**(39)**	**(14 736)**

15. Deferred tax assets and liabilities (continued)

Movements in temporary differences during the period 01 January 2017 – 31 December 2017

In BGN'000	**Balance sheet 31.12.2017**	**Profits and losses**	**Other comprehensive income**	**Balance sheet 31.12.2018**
Property, plant and equipment	(9 694)	(3)	-	(9 697)
Intangible assets	(5 327)	-	-	(5 327)
Subsequent evaluation of Investment property	(453)	-	-	(453)
Tax loss	51	(30)	-	21
Impairment of receivables	115	9	-	124
Employee benefits	3	-	-	3
Long-term retirement benefits	17	-	3	20
Impairment of inventories	349	5	-	354
Compensated leaves	21	(3)	-	18
Total:	**(14 918)**	**(22)**	**3**	**(14 937)**

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 31 December 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:

In BGN'000	**31 December 2018**	**31 December 2017**
Present value of the obligation on 1 January	**211**	**143**
Current service costs	44	-
Interest expense	1	-
Payments during the period	(28)	(2)
Effects from subsequent evaluations during the period	44	70
Present value of the obligation on 31 December	**272**	**211**

17. Other non-current liabilities

In BGN'000	**31 December 2018**	**31 December 2017**
Long-term portion of financing for FTAs	1 593	297
Total	**1 593**	**297**

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 156 thousand.

18. Bank loans

Bank	Currency	Interest rate %	Maturity	2018		2017	
				Liability BGN'000	*Approved limit BGN'000*	*Liability BGN'000*	*Approved limit BGN'000*
"Bank 1" - borrower Gradus-1 EOOD							
Loan 1	BGN	WADI +1.26%	30.09.2019	11 569	12 000	11 568	12 000
Loan 2	BGN	WADI +1.26%	30.09.2019	400	2 800	2 792	2 800
Loan 3	BGN	WADI +1.26%	30.09.2019	-	8 000	10 041	15 000
"Bank 1" - borrower Gradus-3 AD							
Loan 1	BGN	WADI +1.26%	30.09.2019	-	12 000	-	12 000
Loan 2	BGN	WADI +1.26%	30.09.2019	-	2 800	-	2 800
Loan 3	BGN	WADI +1.26%	30.09.2019	-	8 000	-	15 000
"Bank 2" - borrower Gradus-3 AD							
Loan 1	BGN	VII +1.37%	31.07.2019	-	10 000	3 300	10 000
"Bank 3" - borrower Gradus-3 AD							
Loan 1	EUR	1м euribor+1.15%	30.09.2019	-	16 625	6 602	16 625
Loan 2	EUR	1м euribor+1.15%	30.09.2019	-	12 713	12 552	12 713
Loan 3	EUR	1м euribor+1.15%	30.09.2019	-	9 779	35	9 779
Total short-term liabilities:				**11 969**		**46 890**	

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

		FTAs BGN'000	**Receivables BGN'000**	**Inventories BGN'000**
Gradus 3	Loan 1	-		-
Gradus 1	Loan 1	9 923		3 500
Gradus 3	Loan 2	-		-
Gradus 1	Loan 2	-	1 779	-
Gradus 3	Loan 3	2 533		-
Gradus 1	Loan 3	19 207		-
Gradus 3	Loan 1	14 036		-
Gradus 3	Loan 1	3 957		-
Gradus 3	Loan 2	1 169		13 651
Gradus 3	Loan 3	-		9 231
	Total:	50 825	1 779	26 382

19. Trade payables

In BGN'000	**31 December 2018**	**31 December 2017**
Payables to suppliers	5 745	6 679
Payables on advances	33	38
	5 778	**3 717**

20. Tax liabilities

In BGN'000	**31 December 2018**	**31 December 2017**
VAT payable	1 053	817
Corporate income tax	27	16
Individuals' income tax	149	74
Other taxes	9	35
	1 238	**942**

21. Payables to personnel and social security

In BGN'000	**31 December 2018**	**31 December 2017**
Payables to personnel	1 526	1 040
Payables to social security	550	410
Payables on unused paid leave	61	42
Total	**2 137**	**1 492**

22. Other current liabilities

In BGN'000	**31 December 2018**	**31 December 2017**
Liability under a contract for the supply of FTAs	394	383
Other financing	-	129
Financing for FTAs	248	74
Dividends payable to individuals	10	-
Insurance liabilities	39	26
Pledge	14	14
Other liabilities	93	5
Total	**798**	**631**

23. Sales revenue

In BGN'000	**2018**	**28.11.2017-31.12.2017**
Sale of finished products	112 829	10 741
Sale of good	27 754	7 445
Sale of services	807	66
	141 390	**18 252**

24. Other operating income

In BGN'000	**2018**	**28.11.2017-31.12.2017**
Income from financing	11 025	633
Rental income	722	102
Revenue from sale of materials and FTAs, net	440	486
Income from revaluation of investment property	486	-
Income from revaluation of biological assets	424	759
Income from provisions – credit risk	374	-
Income from provisions – actuarial valuation	247	1 601

Income from compensated leaves	43	-
Surplus of inventories	78	-
Liabilities written off	18	-
Other income	139	19
	13 996	**3 600**

25. Expenses on materials

In BGN'000	**2018**	**28.11.2017-31.12.2017**
Expenses on raw materials and materials	64 421	6 450
Basic auxiliary materials	1 976	-
Costs of electricity	4 393	279
Expenses on fuel and lubricants	2 345	165
Heating materials	1 751	171
Natural gas	1 187	109
Water and steam	395	23
Other expenses	2 285	174
	78 753	**7 371**

26. Hired service expenses

In BGN'000	**2018**	**28.11.2017-31.12.2017**
Costs of marketing and advertising	1 693	168
Costs of forwarding services and commissions	641	84
Rental expenses	124	56
Costs of transportation services	453	49
Expenses on repair and maintenance	590	39
Tax expenses and fees	236	31
Insurance costs	383	29
Costs of veterinary services and researches	376	15
Costs of security	171	28
Audit expenses	96	-
Commissions	225	-
Bonus expenses	-	492
Costs of consulting services	901	-
Subscription fees	17	30
Legal services	29	30
Translation / interpretation services	13	-
Incinerator	54	
Other expenses	974	60
	7 483	**1 111**

27. Personnel expenses

In BGN'000	**2018**	**28.11.2017-31.12.2017**
Salaries and wages	19 789	1 264
Social security expenses	3 410	239
	23 199	**1 503**

28. Other expenses

In BGN'000	**2018**	**28.11.2017-31.12.2017**
Scrap of inventories	2 359	211
Penallty contract	772	-
Entertainment expenses	216	-
Receivables written off	200	16
Donations	58	-
Shortage of assets	45	7
Retirement benefits	36	70
Разходи за командировка	20	-
Compensation leaves allowance	28	48
Natural wastage	6	1
Other expenses	298	29
	4 038	**382**
Impairment of biological assets	10 695	50
Impairment of receivables	154	-
Total impairment	**10 849**	**50**

29. Finance income and finance costs

In BGN'000	**2018**	**28.11.2017-31.12.2017**
Interest income	165	14
Income from changes in exchange rates, net	169	-
Total finance income	**334**	**14**
Interest expenses	(473)	(224)
Bank charges	(222)	(8)
Total finance costs	**(695)**	**(238)**
Total finance income/ finance costs	**(361)**	**(224)**

30. Tax expenses

Current tax for the period 01 January – 31 December 2018

Tax for the period	(1 836)	(658)
Deferred tax		
Occurrence and reversal of temporary differences	110	(22)
Total taxes recognized in profits and losses	**(1 726)**	**(680)**

31. Segment reporting

At 31 December 2018, the Group identified three main operating segments. Trade in other materials and transport services is included in the group of "Other".

- Meat and meat products
- Breeding eggs
- Grain and components

Segment assets include:

Non-current assets	Meat and meat products	Breeding eggs	Trade in grain and components	Total:
Land	14 379	-	1 930	16 309
Buildings	82 230	1 685	4 475	88 390
Plant and equipment	29 048	3 042	2 805	34 895
Facilities	18 070	522	6 184	24 776
Motor vehicles	4 043	7	1 194	5 244
Fixtures and fittings and other fixed assets	1 325	9	66	1 400
In the process of acquisition and construction	4 894	-	318	5 212
Intangible assets	53 937	-	-	53 937
Goodwill	20 559	97	-	20 656
Segment assets	228 485	5 362	16 972	250 819
Unallocated assets	-	-	-	8 321
Total non-current assets	**228 485**	**5 362**	**16 972**	**259 140**
Current assets				
Inventories	23 451	934	29 222	53 607
Related party receivables	514	57	215	786
Trade receivables	10 666	545	16 990	28 201
Cash and cash equivalents	1 378	1 434	1 303	4 115
Segment assets	36 009	2 970	47 730	86 709
Unallocated assets	-	-	-	17 814
Total current assets	**36 009**	**2 970**	**47 730**	**104 523**

Segment liabilities include:

	Meat and meat products	Breeding eggs	Trade in grain and components	Total:
Long-term payables to personnel	80	145	47	272
Segment liabilities	80	145	47	272
Unallocated liabilities	-	-	-	16 329
Total non-current liabilities	80	145	47	**16 601**
Current liabilities				
Bank loans	11 969	-	-	**11 969**
Payables to related parties	254	-	325	**579**
Trade payables	3 621	18	2 139	**5 778**
Payables to personnel and social security	1 773	165	131	**2 069**
Segment liabilities	17 617	183	2 595	**20 395**
Unallocated liabilities	-	-	-	**2 104**
Total Current liabilities	**17 617**	**183**	**2 595**	**22 499**

Segment income, expenses and results:

	Meat and meat products	**Breeding eggs**	**Trade in grain and components**	**Total:**
	2018	2018	2018	2018
Revenue	66 936	43 343	30 304	140 583
Other operating income, net	11 025	-	-	11 025
Changes in stock of finished products	7 034	7 234	75	14 343
Capitalised own costs	3 004	-	-	3004
Segment costs	(82 831)	(42 266)	(27 987)	(153 284)
Result of the segment:	**3 939**	**8 311**	**2 392**	**14 642**
Unallocated revenue				3 778
Unallocated costs				(1 679)
Finance income /(costs), net				(361)
Profit before income tax				**16 380**
Income tax expense				(1 726)
Profit for the period after taxes				**14 654**

32. Cash flows from financing activity

BGN'000	***01/01/2018***	***Cash received***	***Cash paid***	***Interest and bank charges accrued***	***Interest and charges on loans***	***Other***	***31/12/2018***
Issue proceeds	-	40 696	-	-	-	(40 696)	-
Bank loans	46 890	40 012	(74 952)	473	(590)	136	11 969
Dividend payable	-	-	(20)	-	-	20	-
Общо	46 890	80 708	(74 972)	473	(590)	(40 540)	11 969

BGN'000	***28/11/2017***	***Cash received***	***Cash paid***	***Interest and bank charges accrued***	***Interest and charges on loans***	***Other***	***31/12/2017***
Bank loans	51 448	980	(5 710)	224	(52)	-	46 890
Total	51 448	980	(5 710)	224	(52)	-	46 890

33. Financial instruments

Categories of financial instruments

Financial assets at amortised cost *In BGN'000*	**31.12.2018**	**31.12.2017**
Trade receivables	20 037	30 167
Related party receivables	6 245	4 947
Receivables on loans to related parties	6 777	1 380
Cash and cash equivalents	6 910	2 792
Total:	**39 969**	**39 286**

Financial liabilities at amortised cost *In BGN'000*	**31.12.2018**	**31.12.2017**
Bank loans	11 969	46 890
Payables to related parties	579	479
Trade payables	5 745	3 717
Total	**18 293**	**51 086**

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 Company.

Financial risks are identified, measured and monitored currently, using different control mechanisms, in order to determine adequate prices of the company'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 company's counterparties might not be able to repay fully and within the usual time limits the amounts they owe on trade and credit receivables.

33. Financial instruments (continued)

Credit risk (continued)

Trade receivables

The Group has segmented trade receivables into different groups. A collection analysis has been carried out for each type of financial asset classified in different ranges of the aging analysis. The provisioning rates applied are based on the days of past due determined as a result of the aging analysis. These percentages have been determined initially using historical data observed by the Company for a period of 2 years.

The Group has analysed the effects on calculated default rates based on historical data of forecast information for certain macroeconomic parameters, such as GDP and unemployment rate. Management has made an analysis of the future information on these parameters and has determined that the effects are negligible and therefore, the historical loss rates have not been corrected for 2018.

The expected credit losses are calculated on each reporting date.

Monetary, including payment transactions are limited to banks with good reputation and stability from the position of liquidity. Moreover, the Group has a policy to limit its exposure to a separate bank.

To calculate the expected credit losses on *trade receivables*, the Group applies a simplified approach for calculating 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.

The age structure of trade receivable before impairment is as follows:

In BGN'000	**31.12.2018**	**31.12.2017**
Current	16 471	15 798
Within 90 days	1 217	12 333
From 90 to 360 days	2 681	1 458
Over 360 days	180	578
Total trade receivables from related and unrelated parties, gross	**20 549**	**30 167**
Expected credit loss	(512)	-
Total trade receivables from related and unrelated parties, net	**20 037**	**30 167**

31 December 2018	**Current**	**Past due from 1 to 90 days**	**Past due from 90 to 365 days**	**Over 365 days**	**Total**
Expected percentage of credit losses	0.10%	4%	10%	100%	
Trade receivables, gross	16 471	1 217	2 681	180	**20 549**
Expected credit loss and impairment accrued as at 31 December 2018	**16**	**48**	**268**	**180**	**512**

33. Financial instruments (continued)

Credit risk (continued)

1 January 2018	**Current**	**Past due from 1 to 90 days**	**Past due from 90 to 365 days**	**Over 365 days**	**Total**
Expected percentage of credit losses	0.10%	4%	10%	100%	
Trade receivables, gross	15 798	12 333	1 458	578	**30 167**
Expected credit loss and impairment accrued as at 31 December 2018	**16**	**493**	**146**	**578**	**1 233**

Loans granted and financial guarantees

The Group measures the credit risk of loans to related parties by using the probability of default (PD), exposure at default (EAD) and loss given default (LGD). To determine the credit risk, the Group's management uses internal estimates that reflect the probability of default for individual counterparties. The activity, financial performance of the borrower and the value of the collateral received is included in the risk assessment.

The Group considers that a financial instrument has undergone a significant increase in credit risk (migration from phase 1 to phase 2) when one or more of the following quantitative or qualitative criteria are met:

- the borrower is past due by more than 60 days;
- significant adverse changes in business, financial and economic conditions in which the borrower operates;
- actual or expected significant adverse changes in the operating results of the borrower;

The criteria used to determine whether there is a significant increase in credit risk are monitored and reviewed periodically.

The Group considers a financial instrument as being in default and exposed to a credit loss (migration from phase 1 or phase 2 to phase 3) when one or more of the following quantitative or qualitative criteria are met:

- the borrower is past due by more than 90 days;
- the borrower experiences significant financial difficulties;
- the borrower is in an insolvency / liquidation procedure.

Calculation of expected credit losses

Expected credit losses are calculated by discounting the resulting value of the product of: the probability of default (PD), exposure at default (EAD) and loss given default (LGD), determined as follows:

- PD the probability of that the borrower would fail to perform its financial obligation either in the next 12 months or for the entire lifetime of the financial asset;
- EAD is the amount due by the Group at the time of default;
- LGD is the expectation of the Group for the amount of the loss in case of exposure at default. The LGD amount has been reduced by the insured portion of the financial asset.

The discount rate used to calculate the expected credit loss (ECL) is the instrument’s original effective interest rate.

When determining the 12-month and lifetime PD, EAD and LGD for the instrument, forecast information has been employed as well. The Group's management has conducted an historical analysis and has identified the main economic variables affecting credit risk and expected credit losses.

The expected credit losses on certain loans 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 lifetime of the relevant asset (12-month expected credit losses for the instrument).

Analysis of the expected losses on loans granted:

In BGN’000	**Loan granted as at 31.12.2018г**	**Interest rate**	**Probability of default in %**	**Loss given default**	**Expected credit losses**	**Discounted credit loss**	**Loan granted, net**
Loan 1 (Note 11)	4 994	2,50%	1,00%	4 994	1%	50	4 944
Loan 2 (Note 11)	975	2,50%	1,00%	975	1%	9	966
Loan 3 (Note 11)	770	4,00%	1,00%	770	1%	7	763
Loan 4 (Note 11)	50	2,00%	1,00%	50	1%	-	50
Loan 5 (Note 11)	41	2,50%	1,00%	41	1%	-	41
Loan 6 (Note 11)	13	7,00%	1,00%	13	1%	-	13
Loan 7 (Note 34)	1 561	2,50%	1.00%	1 561	1%	30	1 531
Total loans granted (Note 11)							**6 777**
Loan 8 (Note 34)	1 720	2,50%	1,00%	1 720	1%	17	1 703
Loan 9 (Note 34)	2 241	5,50%	1,00%	2 241	1%	21	2 220
Loan 10 (Note 34)	4	3,60%	1,00%	4	1%	-	4
Loan 11 (Note 34)	1	3,60%	1,00%	1	1%	-	1
Total loans granted (Note 34)							**5 459**
Total	**12 370**			**12 370**		**134**	**12 236**

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:

34. Financial instruments (continued)

Liquidity risk (continued)

31 December 2018

In BGN'000	Carrying amount	Contractual cash flows	Within 6 months	6-12 months
Bank loans	11 969	11 969	-	11 969
Payables to related parties	579	579	579	-
Trade payables	5 745	5 745	5 745	-
Total:	**18 293**	**18 293**	**6 324**	**11 969**

31 December 2017

In BGN'000	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	-
Total:	**51 048**	**51 048**	**4 158**	**46 890**

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**
31 December 2018	***Fixed interest rate %***	***Variable interest rate %***		
Related party receivables	3 092	-	3 153	6 245
Trade receivables	-	-	20 345	20 345
Loans granted	6 777	-	-	6 777
Cash and cash equivalents	-	-	7 260	7 260
Total financial assets	**9 869**	**-**	**30 758**	**40 627**
Bank loans	**-**	11 969	-	11 969
Trade payables	**-**	-	5 745	5 745
Payables to related parties	**-**	**-**	579	579
Total financial liabilities	**-**	**11 969**	**6 324**	**18 293**

32. Financial instruments (continued)

In BGN'000	**Interest-bearing**		**Interest-free**	**Total**
31 December 2017	***Fixed interest rate %***	***Variable interest rate %***		
Related party receivables	2 204	-	2 743	4 947
Trade receivables	-	-	30 167	30 167
Loans granted	1 380	-	-	1 380
Cash and cash equivalents	-	-	2 889	2 889
Total financial assets	**3 584**	**-**	**35 799**	**39 383**
Bank loans	-	46 890	-	46 890
Trade payables	-	-	3 679	3 679
Payables to related parties	-	-	479	479
Total financial liabilities	**-**	**46 890**	**4 158**	**51 048**

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:

	31 December 2018		**31 December 2017**	
In BGN'000	Carrying amount	Fair value	Carrying amount	Fair value
Related party receivables	6 245	6 245	4 947	4 947
Trade receivables	20 037	20 037	30 167	30 167
Loans granted	6 777	6 777	1 380	1 380
Cash and cash equivalents	6 910	6 910	2 792	2 792
Total assets	**39 967**	**39 967**	**39 286**	**39 286**
Payables to related parties	579	579	479	479
Trade payables	5 745	5 745	3 679	3 679
Bank loans	11 969	11 969	46 890	46 890
Total liabilities	**18 129**	**18 293**	**51 048**	**51 048**

33. Related party receivables

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.

Related parties:	**Type of relationship**
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

Remuneration to key management staff

The total remuneration accrued to key management staff amounts to BGN 2,350 thousand (for the period 28 November 2017 – 31 December 2017: BGN 4 thousand).

Transactions - related parties with Gradus Group

In BGN'000	**Type of transaction**	Transaction amount for the period 01.01.-31.12.2018	Total receivables 31.12.2018	Total payables 31.12.2018
Agro Invest-7 OOD	Sales	353	99	
Agro Invest-7 OOD	Loan granted	1 561	1 531	
Energy- 2 OOD	Purchases	827	472	
Energy-2 OOD	Loan granted	1 720	1 703	
ET Gradus - Ivan Angelov – 55	Sales	1 709	126	
M.O. Stara Zagora OOD	Loan granted	-	2 220	
Biser Oliva AD	Sales	166	23	
Mirena OOD	Sales	46	54	
Ivan Angelov Angelov	Sales	169	12	
Stefan Petrov Hristov	Loan granted	-	4	
Ivan Toshkov Todorov	Loan granted	-	1	
Total balance – related parties outside the Group		**6 551**	**6 245**	
Agro Invest-7 OOD	Purchases	977		292
Energy- 2 OOD	Purchases	185		27
SP Gradus-Ivan Angelov-55	Purchases	2 769		245
Biser Oliva AD	Purchases	3 426		15
Ivan Angelov Angelov	Purchases	16		
Luka Angelov Angelov	Purchases	16		
Mirena OOD	Purchases			
Total balance – related parties outside the Group		**7 389**		**579**

In BGN'000	**Type of transaction**	**Transaction amount**	**Total receivables**	**Total liabilities**
At 31 December 2017				
Related parties outside the group				
Agro Invest-7 OOD	Sales	6	983	-
Energy- 2 OOD	Sales	50	1 520	-
SP Gradus-Ivan Angelov-55	Sales	165	112	-
M.O. Stara Zagora OOD	Loan granted	10	2 204	-
Biser Oliva AD	Sales	29	8	-

Ivan Angelov Angelov	Sales	136	120	-
Agro Invest-7 OOD	Purchases	7	-	12
Energy- 2 OOD	Purchases	8	-	11
SP Gradus-Ivan Angelov-55	Purchases	345	-	440
Biser Oliva AD	Purchases	278	-	13
Mirena OOD	Purchases	-	-	3
Total balance – related parties outside the group:			**4 947**	**479**

Related party receivables by types:

In BGN'000	31 December 2018	31 December 2017
Trade loans granted	5 459	2 204
Receivable on sale of products and materials	786	2 743
Total related party receivables:	**6 245**	**4 947**

Receivables on trade loans to related parties:

In BGN'000	31 December 2018	31 December 2017
Trade loans granted – principal	4 951	1 680
Impairment	(48)	-
Interest	561	524
Impairment	(5)	-
	5 459	**2 204**

33. Related party receivables (continued)

Receivables on sales of products:

In BGN'000	31 December 2018	31 December 2017
Receivables on sales of products and materials	848	2 743
Impairment	(62)	-
	786	**2 743**

Payables to related parties:

In BGN'000	31 December 2018	31 December 2017
Purchases of goods and materials	579	479
	579	**479**

Payables to related parties:

Purchases of goods and materials of BGN 579 thousand (2017: BGN 479 thousand).

Payables to related parties are current, interest-free and are not secured by additional collateral.

35. Contingent liabilities

The Group provided a good performance guarantee of BGN 80 thousand to secure a liability of Marina 2003 EOOD to Southeast State Enterprise.

36. Events after the reporting date

There were no other significant events occurring after 31 December 2018 that require additional adjustments and / or disclosures.