

APPENDICES

1. Status and object of business activity	5
2. Basis of preparation of the consolidated financial statements	5
3. Significant accounting policies	6
4. Property, plant and equipment.....	21
5. Intangible assets	22
6. Goodwill.....	22
7. Group structure.....	23
8. Non-controlling interest	24
9. Investment property.....	24
10.1 Inventories	24
10.2 Biological assets	24
11. Trade receivables.....	24
12. Loans granted	25
13. Other current receivables and prepayments	25
14. Cash and cash equivalents	25
15. Equity	25
16. Deferred tax assets and liabilities	26
17. Long-term payables to personnel	27
18. Deferred income from financing	27
19. Bank loans	28
20. Trade liabilities.....	28
21. Tax liabilities.....	28
22. Payables to personnel and social security	29
23. Other current liabilities.....	29
24. Revenue from contracts with customers.....	29
25. Other operating income	29
26. Own costs capitalised	30
27. Expenses on materials	30
28. Hired service expenses	30
29. Personnel expenses.....	30
30. Other expenses	30
32. Tax expenses	31
33. Financial instruments	31
34. Related party transactions	35
35. Contingent liabilities	37
36. Events after the reporting date.....	37

1. Status and object of business activity

Gradus AD, Stara Zagora, was established on 28 November 2017.

Management address: Stara Zagora, Industrialen quarter, Gradus Poultry Slaughterhouse

BULSTAT: 204882907

Ownership and management

Gradus AD is a public company in accordance with the Public Offering of Securities Act. Shareholders of the company as at 31 December 2023:

- Gradus AD – 1.70% of the capital
- Luka Angelov Angelov – 40.77% of the capital
- Ivan Angelov Angelov – 20.68% of the capital
- Angel Ivanov Angelov - 20.68% of the capital
- Legal entities – 14.35% of the capital
- Individual shareholders – 1.82% of the capital.

Management bodies of the company

- General Meeting of Shareholders
- Board of Directors

Board of Directors

The Board of Directors consists of three (3) members who are as follows as at 31 December 2023:

Angel Ivanov Angelov – Chairman of the Board of Directors of Gradus AD

Georgi Alexandrov Babev – Member of the Board of Directors and Executive Director of Gradus AD

Bistra Stoyanova Koceva - Deputy Chairman of the Board of Directors of Gradus AD

Audit Committee:

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

Members of the Audit Committee are:

- Hristina Atanasova Filipova;
- Ivaylo Nikolaev Nikolov;
- Radka Dimcheva Peneva.

2. Basis of preparation of the consolidated financial statements

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

Functional currency and currency of presentation

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

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

Comparative data

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

3. Significant accounting policies

(a) Foreign currency transactions

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

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

(b) Property, plant and equipment

(i) Recognition and measurement

Initial recognition

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

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

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

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

Subsequent recognition

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

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.

GRADUS AD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY – DECEMBER 2023

(ii) Depreciation

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

Depreciation rates are defined as follows:

	2023	2022
	Annual depreciation	Annual depreciation
	rate,	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

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

(c) Intangible assets

(i) Goodwill

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

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

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

(ii) Intangible assets, other than goodwill

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

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

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

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

GRADUS AD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY – DECEMBER 2023

(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.

	2023	2022
	Annual amortisation	Annual amortisation
	rate, %	rate, %
Intellectual property rights	15	15
Industrial property rights	15	15
Other intangible assets	6.67 – 33.3	6.67 – 33.3

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

(d) Investments

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

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

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

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

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

(e) Investment property

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

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

(f) Inventories

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

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

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

(g) Biological asset

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

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

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

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

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

(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 the Group to receive remuneration under contracts with customers and other contractors.

Initial recognition

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

Subsequent measurement

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

Impairment

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

(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 Group in accordance with the arrangement with bankers during the term of the deposit.

Subsequent measurement

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

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

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

(k) Financial instruments

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

Financial assets

Initial recognition, classification and measurement

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

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

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

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

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

Subsequent measurement

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

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

Classification groups

Financial assets at amortised cost (debt instruments)

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

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

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

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

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

The Group has no such assets.

Financial assets at fair value through profit or loss

The Group has no such assets.

Derecognition

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

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

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

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

Expected credit loss on financial assets

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

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

GRADUS AD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY – DECEMBER 2023

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

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

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

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

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

Financial liabilities

Initial recognition, classification and measurement

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

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

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

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification.

Classification groups

Financial liabilities at fair value through profit or loss

The Group has no such liabilities.

Loans and other borrowings

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

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

Derecognition

Financial liabilities are derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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

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

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

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

(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 Group, and subsequently, at amortised cost.

(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.

(p) Revenue

Recognition of revenue from contracts with customers

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

Measurement of a contract with a customer

There is a contract with a customer if:

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

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

Measurement of revenue from contracts with customers

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

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

Performance obligations under contracts with customers

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

Revenue from sale of goods

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

Revenue from sale of services

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

Transaction price and terms of payment

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

Variable consideration

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

Significant financial component

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

(g) Leases

The Group as a lessee

Assessment for measurement of a lease

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

Initial recognition and measurement

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

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

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

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

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

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

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

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

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

Subsequent measurement

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

The Group subsequently measures the lease liability by:

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

GRADUS AD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY – DECEMBER 2023

Reporting of revaluations and amendments to the lease contract

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

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

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

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

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

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

GRADUS AD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY – DECEMBER 2023

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) Key estimates and assumptions

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

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

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

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

Estimates when recognising revenue from contracts with customers

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

Impairment of inventories

At each reporting period, 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%.

Lease contracts

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

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

GRADUS AD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY – DECEMBER 2023

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.

(u) 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.

(v) Consolidation principles

Consolidation of subsidiaries

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

Business combinations

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

Non-controlling interest

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

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

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

Acquisitions of companies under common control

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

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

Provisional accounting for of acquisitions

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

(w) New standards and interpretations

During period, the Group has adopted all new and changed IFRSs that are related to its activities and are effective for the reporting period beginning on 1 January 2023.

New standards and amendments to existing standards issued by the IASB and adopted by the EU, which have not yet entered into force and have not been applied earlier:

IFRS 17 Insurance Contracts, including Amendments to IFRS 17 – adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023);

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies – adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023);

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023);

Amendments to IAS 12 Income taxes: Deferred tax relating to assets and liabilities arising from a single transaction – adopted by the EU on 11 August 2022 (effective for annual periods beginning on or after 1 January 2023);

Amendments to IFRS 17 Insurance contracts: Initial application of IFRS 17 and IFRS 9 – Comparative information – adopted by the EU on 8 September 2022 (effective for annual periods beginning on or after 1 January 2023).

New standards and amendments to existing standards issued by the International Accounting Standards Board that have not yet been adopted by the EU

Amendment to IAS 1 Presentation of financial statements: Classification of liabilities as current and non-current, Classification of liabilities as current or non-current – deferral of the effective date and Non-current liabilities with covenants (effective for annual periods beginning on or after 1 January 2024);

Amendment to IFRS 16 Leases – Lease Obligations on Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024);

The Group expects the adoption of those new Standards, amendments to existing Standards and new interpretations not to have a material effect on the Group financial statements during the period of their initial application.

GRADUS AD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY – DECEMBER 2023

4. Property, plant and equipment

<i>In BGN'000</i>	Lands	Buildings	Machinery and equipment	Facilities	Motor vehicles	Business inventory and other fixed assets	Under acquisition and construction	Total
Book value								
Balance at 31.12.2022	17 609	108 660	48 936	32 314	16 314	4 074	2 567	230 474
Additions	-	354	360	24	234	91	3 781	4 844
Transfers	-	632	1 142	2 077	455	10	(4 316)	-
Elimination of depreciation prior to revaluation	-	(2 748)	(11 627)	(1 416)	-	-	-	(15 791)
Revaluation	222	(466)	(5 356)	(4 371)	-	-	-	(9 971)
Transfer from inv. property	-	377	-	-	-	-	-	377
Transfer to inv. property	-	-	-	-	-	-	-	-
Disposals	-	(347)	(2)	-	(1 594)	(2)	(4)	(1 949)
Balance at 31.12.2023	17 831	106 462	33 453	28 628	15 409	4 173	2 028	207 984
Depreciation								
Balance at 31.12.2022	-	(5 063)	(9 945)	(1 204)	(10 597)	(3 238)	-	(30 047)
Depreciation for the period	-	(1 776)	(4 712)	(544)	(1 012)	(266)	-	(8 310)
Elimination of depreciation prior to revaluation	-	2 748	11 627	1 416	-	-	-	15 791
Disposals	-	347	-	-	878	2	-	1 227
Balance at 31.12.2023	-	(3 744)	(3 030)	(332)	(10 731)	(3 502)	-	(21 339)
Net book value								
As at 31 December 2022	17 609	103 597	38 991	31 110	5 717	836	2 567	200 427
As at 31 December 2023	17 831	102 718	30 423	28 296	4 678	671	2 028	186 645

It is a policy of the Group to measure subsequently the items of Property, plant and equipment under the revaluation model of IAS 16 „Property, plant and equipment“. The group plans to revalue its long-term assets every three years. At the end of 2023, the group conducted a revaluation of the assets based on an appraisal prepared by an external expert hired for the purpose.

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

Group assets	Level	Approaches and techniques for assessment	Significant unobservable input data and quantitative parameters
<i>Lands</i>	2	Cost approach. Valuation technique:	* Inflation price index based on the period between the asset's introduction into operation and the current valuation moment.
<i>Buildings</i>	3	Method based on the cost to create or replace an asset - the depreciated replacement cost method - through the combined application of the following techniques:	* Market price index for production, warehouse, and service facilities.
<i>Machinery and equipment</i>	3	- Valuation of assets as new, adjusted for overage and wear and tear reflecting their physical condition, functionality, and economic utility.	* Weighting ratio between the techniques used individually for each asset, taking into account the reliability assessment of the comparative data used and the specificity of the asset
<i>Facilities</i>	3	- Land value is determined based on information from actual transactions.	* Adjusted construction costs for identical objects and delivery prices for analogs

The Group has reported the right-of-use assets under the same heading in which they would have been reported if they were its own assets.

GRADUS AD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY – DECEMBER 2023

Further details about the right-of-use assets, disclosed in Note *Property, plant and equipment*, are presented in the following table:

<i>In BGN'000</i>	Net book value as at 01.01.2022	Additions during 2022	Depreciation charge for 2022	Net book value as at 31 December 2022
Land and buildings	159	-	(106)	53
Motor vehicles	29	-	(29)	-
Total	188	-	(135)	53

<i>In BGN'000</i>	Net book value as at 01.01.2023	Additions during the period 2023	Accrued depreciation for the period 2023	Net book value as at 31 December 2023
Land and buildings	53	354	(110)	297
Total	53	354	(110)	297

5. Intangible assets

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

<i>In BGN'000</i>	Trademarks	Software	Leasehold improvements	Licenses and others	Total
Balance at 31 December 2022	41 261	954	783	369	43 367
Additions	-	92	-	-	92
Revaluation	(7 926)	-	-	-	(7 926)
Balance at 31 December 2023	33 335	1 046	783	369	35 533
Depreciation					
Balance at 1 January 2023	-	(159)	(671)	(280)	(1 110)
Amortisation charge for the period	-	(165)	(91)	(3)	(259)
Balance at 31 December 2023	-	(324)	(762)	(283)	(1 369)
Net book value					
At 31 December 2022	41 261	795	112	89	42 257
At 31 December 2023	33 335	722	21	86	34 164

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

The Group's management conducts annually an analysis and assessment whether there were any indications of impairment of trademarks. The calculations are made by management in cooperation with independent licensed valuers. Estimates for expected cash flows were used in their calculations, based on financial budgets covering a five-year period.

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

GRADUS AD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY – DECEMBER 2023

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

Goodwill arises when the parent company acquires control. It is defined as the excess of the consideration transferred at fair value and the non-controlling interest in the acquired entity over the fair value of the identifiable net assets therein as at the date of the acquisition. As of 31 December 2023, the goodwill amounted to BGN 20,656 thousand (2022 BGN 20,656 thousand).

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

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

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

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

7. Group structure

		Effective participation of the parent company at 31.12.2023	Effective participation of the parent company at 31.12.2022
Gradus AD	Parent company	-	-
Gradus-1 EOOD (Note 6)	Subsidiary of Gradus AD	100%	100%
Zhyuliv EOOD	Subsidiary of Gradus AD	-	100%
Lora-2004 EOOD	Subsidiary of Gradus AD	-	100%
Millennium 2000 EOOD (Note 6)	Subsidiary of Gradus AD	100%	100%
Gradus-98 AD (Note 6)	Subsidiary of Gradus AD	99,94%	99,94%
Gradus-3 AD (Note 6)	Subsidiary of Gradus-1 EOOD	96%	96%
Gold Farm 91 EOOD	Subsidiary of Gradus AD	-	100%
Gradus Logistics EOOD	Subsidiary of Gradus AD	100%	100%

On June 30, 2023, the subsidiary companies Zhyuliv EOOD, Lora-2004 EOOD, and Gold Farm 91 EOOD merged into the subsidiary company Millennium 2000 EOOD.

GRADUS AD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY – DECEMBER 2023

8. Non-controlling interest

	Non-controlling interest, %	Balance at 31.12.2022	Result for the period	Balance at 31.12.2023
Gradus-3 AD	4%	1 559	(230)	1 329
Gradus-98 AD	0,066%	34	1	35
		<u>1 593</u>	<u>(229)</u>	<u>1 364</u>

9. Investment property

In BGN'000

	Land and buildings	Total
Balance at 31 December 2021	8 940	8 940
Transfers	451	451
Revaluation of investment property	231	231
Balance at 31 December 2022	<u>9 622</u>	<u>9 622</u>
Transfer from Lands, machinery and facilities	692	692
Transfer to FA	(266)	(266)
Revaluation of investment property	413	413
Balance at 31 December 2023	<u>10 461</u>	<u>10 461</u>

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

10.1 Inventories

In BGN'000

	31 December 2023	31 December 2022
Main materials	34 158	37 254
Products	4 150	7 428
Goods	385	1 007
Work in progress	1 629	1 010
Total	<u>40 322</u>	<u>46 699</u>

10.2 Biological assets

In BGN'000

	31 December 2023	31 December 2022
<i>Biological assets carriers, incl.:</i>		
Immature biological assets - growing roosters and hens	6 058	5 851
Mature biological assets - roosters and hens	2 922	1 749
Total biological assets carriers	<u>8 980</u>	<u>7 600</u>
<i>Biological assets for consumption, incl.:</i>		
Immature biological assets - growing chickens	2 298	2 500
Total biological assets for consumption	<u>2 298</u>	<u>2 500</u>
Total:	<u>11 278</u>	<u>10 100</u>

11. Trade receivables

In BGN'000

	31 December 2023	31 December 2022
Receivables from counterparties	10 057	11 446
Expected credit losses	(807)	(2 085)
Trade receivables from counterparties, net	9 250	9 381
Advances to suppliers	3 542	3 413
Total	<u>12 792</u>	<u>12 794</u>

GRADUS AD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY – DECEMBER 2023

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

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

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

12. Loans granted

<i>B In BGN'000</i>	Maturity	Collateral	Interest rate	31 December 2023	31 December 2022
Company B	12.2024	No	2.0%	1 628	2 698
Company D	12.2024	No	2.5%	421	446
Company E	12.2024	No	2.5%	219	299
Total				2 268	3 443

13. Other current receivables and prepayments

<i>In BGN'000</i>	31 December 2023	31 December 2022
Taxes refundable	1 614	2 507
Court and awarded receivables	177	483
Prepayments	339	337
Other receivables	642	564
Total	2 772	3 891

14. Cash and cash equivalents

<i>In BGN'000</i>	31 December 2023	31 December 2022
Cash on hand	100	257
Cash in current accounts	1 996	4 371
Total	2 096	4 628

15. Equity

	Number of voting shares	Number of non-voting shares	Total number of shares	Amount, BGN'000
as of 31 December 2021г.	243 608 710	-	243 608 710	243 609
as of 31 December 2022г.	243 608 710	-	243 608 710	243 609
as of 31 December 2023г.	239 473 416	4 135 294	243 608 710	243 609

The total number of shares as of 31.12.2023 is 243 608 710 with a nominal value of BGN 1 each. Fixed capital is fully paid.

	Number of shares	Fixed capital, net of repurchased shares
Balance on 1 January 2023	243 608 710	243 609
Own shares repurchased	4 135 294	(6 050)
Costs of repurchased own shares	-	(18)
Balance on December 31, 2023	239 473 416	237 541

GRADUS AD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY – DECEMBER 2023

Shareholders of GRADUS AD as at 31 December 2023:

	Number of voting shares	Number of non-voting shares	Total number of shares	Shareholding %
Gradus AD	-	4 135 294	4 135 294	1,70
Luka Agnelov Agnelov	99 316 945	-	99 316 945	40,77
Ivan Agnelov Agnelov	50 373 165	-	50 373 165	20,68
Angel Ivanov Angelov	50 372 417	-	50 372 417	20,68
Legal entities	34 961 310	-	35 041 589	14,35
Individual shareholders	4 449 579	-	4 449 579	1,82
Total:	239 473 416	4 135 294	243 608 710	100,00

Shareholders of GRADUS AD as at 31 December 2022:

	Number of voting shares	Shareholding, %
Luka Agnelov Agnelov	99 316 945	40,77
Ivan Agnelov Agnelov	50 373 165	20,68
Angel Ivanov Angelov	50 372 417	20,68
Legal entities	38 628 449	15,86
Individual shareholders	4 917 734	2,01
Total:	243 608 710	100,00

Equity

<i>In BGN'000</i>	31 December 2023	31 December 2022
Share capital	243 609	243 609
Treasury ordinary shares	(6 068)	-
Issue premium	44 200	44 200
Issue premium from the issue of securities	18 087	18 087
Reserve from transformation	(247)	(247)
Revaluation reserve	4 561	13 009
Reserve from actuarial revaluations	(415)	(286)
Accumulated profit	(17 368)	(1 494)
Capital attributable to the company's owners - parent company	286 359	316 878
Non-controlling interest	1 364	1 593
Total equity	328 505	318 471

16. Deferred tax assets and liabilities

Deferred tax assets and liabilities recognised

Deferred tax assets and liabilities recognised originate from the following:

	Assets		Liabilities		Net	
<i>In BGN'000</i>	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Property, plant and equipment	-	-	(12 365)	(12 979)	(12 365)	(12 979)
Intangible assets	-	-	(3 333)	(4 126)	(3 333)	(4 126)
Investment property	-	-	(740)	(652)	(740)	(652)

GRADUS AD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY – DECEMBER 2023

Tax loss	311	948	-	-	311	948
Trade receivables and loans granted	303	397	-	-	303	397
Employee benefits	23	14	-	-	23	14
Long-term retirement benefits	114	49	-	-	114	49
Inventories and biological assets	1 796	1 169	-	-	1 796	1 169
Compensated leaves	94	76	-	-	63	76
	2 641	2 653	(16 438)	(17 757)	(13 797)	(15 104)

Movements in temporary differences in 2023

In BGN'000

	Balance 31.12.2022	Profits and losses	Other comprehen sive income	Balance 31.12.2023
Property, plant and equipment	(12 979)	(384)	997	(12 365)
Intangible assets	(4 126)	793	-	(3 333)
Investment property	(652)	(88)	-	(740)
Inventories and biological assets	1 169	627	-	1 796
Tax loss	948	(637)	-	311
Trade receivables and loans granted	397	(93)	-	303
Employee benefits	14	9	-	23
Long-term retirement benefits	49	1	64	114
Compensated leaves	76	18	-	94
Total:	(15 104)	246	1 061	(13 797)

17. Long-term payables to personnel

Long-term payables to personnel comprise the Group's obligation to pay termination benefits to those employees who retire as of 31 December 2023. Pursuant to the Labour Code provisions, every employee is entitled to compensation amounting to two months' gross salaries upon retirement. If he/she has been with the same employer for the past 10 years or more, this employee is entitled to a compensation amounting to six months' gross salaries. At the time of retirement.

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

<i>In BGN'000</i>	31December 2023	31 December 2022
Present value of the obligation on 1 January	478	453
Past service cost - Contingent income	39	139
Interest expense	-	9
Payments during the period	-	(84)
Effects from subsequent valuation for the year	-	(39)
Present value of the obligation on 31 December	517	478

18. Deferred income from financing

<i>In BGN'000</i>	31 December 2023	31 December 2022
Gradus - 1 EOOD	589	745
Millennium 2000 EOOD	699	2
Lora 2004 EOOD	-	803
Total long-term portion of financing for FTAs	1 288	1 550
Gradus - 1 EOOD	156	156
Millennium 2000 EOOD	103	-
Lora 2004 EOOD	-	103
Total short-term portion of financing for FTAs (Note 23)	259	259
Total deferred income from financing	1 547	1 809

GRADUS AD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY – DECEMBER 2023

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

19. Bank loans

Bank	Currency	Interest rate %	Maturity	31.12.2023		31.12.2022	
				Liability BGN'000	Approved limit BGN'000	Liability BGN'000	Approved limit BGN'000
"Bank 1" - borrower Gradus-1 EOOD							
Loan 1	BGN	1m-EURIBOR+1.3%	30.09.2024	-	12 000	-	12 000
Loan 2	BGN	1m-EURIBOR+1.3%	30.09.2024	-	2 800	-	2 800
Loan 3	BGN	1m-EURIBOR+1.3%	30.09.2024	-	15 000	-	15 000
"Bank 1" - borrower Gradus-3 AD							
Loan 1	BGN	1m-EURIBOR+1.3%	30.09.2024	-	12 000	-	12 000
Loan 2	BGN	1m-EURIBOR+1.3%	30.09.2024	-	2 800	-	2 800
Loan 3	BGN	1m-EURIBOR+1.3%	30.09.2024	-	15 000	-	15 000
"Bank 2" - borrower Gradus-3 AD							
Loan 1	BGN	WADI+0.9%	31.08.2024	3 700	10 000	7 000	10 000
"Bank 3" - borrower Gradus-3 AD							
Loan 1	BGN	Reference interest rate+0.85%	20.02.2025	10 000	10 000	5 133	10 000
"Bank 3" - borrower Gradus-1 EOOD							
Loan 1	BGN	Reference interest rate+0.85%	20.02.2025	-	10 000	-	10 000
"Bank 3" - borrower Gradus-98 AD							
Loan 1	BGN	Reference interest rate+0.85%	20.02.2025	-	10 000	400	10 000
"Bank 3" - borrower Millennium 20000 EOOD							
Loan 1	BGN	Reference interest rate+0.85%	20.02.2025	-	10 000	-	10 000
Total short-term liabilities:				3 700	-	7 000	
Total long-term liabilities:				10 000	-	5 533	

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

<i>In BGN'000</i>	31 December 2023	31 December 2022
Fixed assets	49 905	49 905
Receivables	3 560	3 560
Total	53 465	53 465
20. Trade liabilities		
<i>In BGN'000</i>	31 December 2023	31 December 2022
Payables to suppliers	4 674	4 432
Payables under contracts with customers	-	111
Total	4 674	4 543
21. Tax liabilities		
<i>In BGN'000</i>	31 December 2023	31 December 2022
VAT payable	786	655
Corporate income tax	43	8
Individuals' income tax	95	95
Other taxes	19	21
Total	943	779

GRADUS AD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY – DECEMBER 2023

22. Payables to personnel and social security

<i>In BGN'000</i>	31 December 2023	31 December 2022
Payables to personnel	2 108	1 961
Payables to social security	721	706
Payables on unused paid leave	919	866
Total	3 748	3 533

23. Other current liabilities

<i>In BGN'000</i>	31 December 2023	31 December 2022
Obligation under contract for financing birds	-	1 325
Liquidated Damages	381	-
Short-term portion of financing of FTAs	259	259
Insurance liabilities	20	20
Pledge	17	18
Dividends payable to individuals	4	9
Other liabilities	174	62
Total	855	1 693

24. Revenue from contracts with customers

<i>In BGN'000</i>	2023	2022
Sale of products	138 504	148 214
Sale of good	4 450	641
Sale of services	1 339	1 089
Total	144 293	149 944

Revenue comprises:

<i>In BGN'000</i>	2023	2022
Goods and products transferred at a point in time	149 254	148 855
Services transferred over time	1 339	1 089
Total:	144 293	149 944

25. Other operating income

<i>In BGN'000</i>	2023	2022
Income from financing	8 740	25 101
Rental income	582	924
Excess inventory	118	184
Revenue from sale of materials and FTAs, net	862	956
Profit from revaluation of investment properties	413	231
Written- off liabilities	32	478
Other income	402	110
Total	11 149	27 984

GRADUS AD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY – DECEMBER 2023

26. Own costs capitalised

In BGN'000

	2023	2022
Costs of materials, personnel and other	420	417

27. Expenses on materials

In BGN'000

	2023	2022
Materials	73 975	89 724
Electricity	5 843	13 223
Expenses on fuel and lubricants	2 792	3 491
Expenses on repair and spare parts	1 398	2 048
Heating materials	3 334	3 139
Natural gas	1 845	3 562
Water and steam	537	433
Other expenses	1 588	1 941
Total	91 312	117 561

28. Hired service expenses

In BGN'000

	2023	2022
Marketing and advertising	268	346
Transportation services	1 303	918
Repair and maintenance	980	843
Forwarding services and commissions	206	386
Taxes and charges	901	848
Veterinary services and researches	471	336
Security	367	389
Consulting services	450	320
Insurances	410	353
Subscription fees	572	246
Audit expenses	131	117
Incinerator	38	96
Legal services	43	114
Rents	160	82
Translation / interpretation services	10	14
Other expenses	1 322	1 959
Total	7 632	7 367

29. Personnel expenses

In BGN'000

	2023	2022
Salaries and wages	30 330	27 370
Social security expenses	5 078	4 697
Social benefits expenses	894	878
Other	165	55
	36 467	33 000

30. Other expenses

In BGN'000

	2023	2022
Scrap of inventories	2 888	2 397
Written-off receivables	4	289
Entertainment expenses	137	208
Shortage of assets	71	177
Liquidated Damages	381	165
Unrecognized taxes and other payments to the budget	12	15
Scrap of FTAs	-	42
Business trip expenses	28	14

GRADUS AD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY – DECEMBER 2023

Firi	12	7
Donations	52	48
Other expenses	261	146
Total	3 846	3 508

Impairment of biological assets and inventories	23 105	19 350
Impairment of intangible assets – trademark	7 926	12 012
Impairment of receivables	242	762
Total other expenses	29 364	32 129

31. Finance income and finance costs

	31.12.2023	31.12.2022
<i>In BGN'000</i>		
Interest income	215	176
Income from foreign currency operations	-	86
Total finance income	215	262
Interest expenses on bank loans	(98)	(57)
Bank charges and commissions	(100)	(56)
Foreign exchange costs	(45)	-
Lease interest expense	(3)	(3)
Others	(17)	(8)
Total finance costs	(263)	(124)
Total finance income/finance costs, net	(48)	138

32. Tax expenses

	31.12.2023	31.12.2022
Current income tax expense – 10% (2022 r.: 10%)	(237)	(1 593)
Deferred income taxes relating to:		
Origination and reversal of temporary differences	466	1 553
Total income tax expense	229	(40)

33. Financial instruments

Categories of financial instruments

Financial assets at amortised cost	31.12.2023	31.12.2022
<i>In BGN'000</i>		
Trade receivables	9 250	9 381
Related party receivables	2 988	4 575
Loans to unrelated parties	2 268	3 443
Cash and cash equivalents	1 996	4 371
Total	16 502	21 770

Financial liabilities at amortised cost	31.12.2023	31.12.2022
<i>In BGN'000</i>		
Bank loans	13 700	12 533
Payables to related parties	614	356
Lease liabilities	302	53
Trade payables	4 674	4 432
Total	19 290	17 374

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

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

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

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

Credit risk

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

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

Accounts receivable

The group has segmented trade receivables into different groups. An analysis of collectability has been conducted for each type of financial asset across various age ranges. The applied provision percentages are based on the days overdue according to the age analysis. Initially, these percentages are determined based on historical data observed by the group over a period of 2 years.

The group has analyzed the effects on the calculated default rates based on historical data of forecasted information for certain macroeconomic parameters such as GDP and unemployment rates. Management has analyzed future information regarding these parameters and determined that the effects are insignificant, so historical loss percentages have not been adjusted for 2023.

Expected credit losses are calculated as of the date of each reporting period.

Cash transactions, including settlement operations, are limited to banks with high reputation and liquid stability. Additionally, the group has a policy to limit its exposure to individual banks.

To calculate expected credit losses on trade receivables, the group applies a simplified approach and does not track subsequent changes in their credit risk. Under this approach, the group recognizes an adjustment (impairment provision) based on the expected credit loss for the entire term of the receivables as of each reporting date.

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

<i>In BGN'000</i>	31.12.2023	31.12.2022
Current	7 623	5 412
from 1 to 90 days	576	3 304
from 90 days to 365 days	635	794
over 365 day	1223	1 955
Total trade receivables, gross	10 057	11 465
Expected credit loss	(807)	(2 084)
Total trade receivables, net	9 250	9 381

Currency risk

GRADUS AD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY – DECEMBER 2023

Exposure to currency risk

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

Liquidity risk

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

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

31 December 2023

<i>In BGN'000</i>	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
Bank Loans	13 700	13 700	-	3 700	10 000		
Lease liabilities	302	317	54	54	209		
Payables to related parties	614	614	614	-	-	-	-
Trade payables	4 674	4 674	4 674	-	-	-	-
Total	19 290	19 305	5 342	3 754	10 209	-	-

31 December 2022

<i>In BGN'000</i>	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
Bank loans	12 533	12 533	-	7 000	5 533	-	-
Payables to related parties	53	52	40	13			
Lease liabilities	356	356	356	-	-	-	-
Trade payables	4 432	4 432	4 432	-	-	-	-
Total	17 374	17 374	4 828	7 013	5 533	-	-

Interest rate risk

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

<i>In BGN'000</i>	Interest-bearing		Interest-free	Total
	<i>Fixed interest rate</i>	<i>Variable interest rate</i>		
31 December 2023				
Related party receivables	179	605	2 204	2 988
Trade receivables	-	-	12 792	12 792
Loans granted	2 268	-	-	2 268
Cash and cash equivalents	-	1 996	-	1 996
Total financial assets	2 447	2 601	14 996	20 044

GRADUS AD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY – DECEMBER 2023

Bank loans	-	13 700	-	13 700
Lease liabilities	302	-	-	302
Trade payables	-	-	4 674	4 674
Payables to related parties	-	-	614	614
Total financial liabilities	302	13 700	5 288	19 290

In BGN'000

	Interest-bearing		Interest-free	Total
	Fixed	Variable		
31 December 2022	interest rate	interest rate		
Related party receivables	1 142	1 034	2 399	4 575
Trade receivables	-	-	9 381	9 381
Loans granted	3 443	-	-	3 443
Cash and cash equivalents	-	4 371	-	4 371
Total financial assets	4 585	5 405	11 780	21 770
Bank loans	-	12 533	-	12 533
Lease liabilities	53	-	-	53
Trade payables	-	-	4 432	4 432
Payables to related parties	-	-	356	356
Total financial liabilities	53	12 533	4 788	17 374

Fair values

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

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

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

Fair values vs carrying amounts

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

<i>In BGN'000</i>	31 December 2023		31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Related party receivables	2 988	2 988	4 575	4 575
Trade receivables	12 792	12 792	9 381	9 381
Loans granted	2 268	2 268	3 443	3 443
Cash and cash equivalents	1 996	1 996	4 371	4 371
Total assets	20 044	20 044	21 770	21 770

GRADUS AD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY – DECEMBER 2023

Payables to related parties	614	614	356	356
Lease liabilities	302	302	53	53
Trade payables	4 674	4 674	4 432	4 432
Bank loans	13 700	13 700	12 533	12 533
Total liabilities	19 290	19 290	17 374	17 374

34. Related party transactions

Identification of related parties

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

Related parties:	Type of relationship
Luka Angelov Angelov	Equity owner
Ivan Angelov Angelov	Equity owner
Angel Ivanov Angelov	Equity owner
Georgi Aleksandrov Babev	Member of the Board of Directors and Executive Director
Bistra Stoyanova Kotseva	Member of the Board of Directors
Gradus-1 EOOD	Subsidiary
Gradus-3 AD	Subsidiary
Millennium 2000 EOOD	Subsidiary
Gradus-98 AD	Subsidiary
Zhyuliv EOOD	Subsidiary – merged into a subsidiary in "Millennium 2000" Ltd. on 30.06.2023.
Lora-2004 EOOD	Subsidiary – merged into a subsidiary in "Millennium 2000" Ltd. on 30.06.2023.
Gold Farm 91 EOOD	Subsidiary – merged into a subsidiary in "Millennium 2000" Ltd. on 30.06.2023.
Gradus Logistics 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
Ralitsa 2004 OOD	Relationship through a person exercising significant influence
Wolf OOD	Relationship through a person exercising significant influence
Biser Oliva AD	Relationship through a person exercising significant influence
Equity Invest-1 AD	Relationship through a person exercising significant influence
Equity Invest-2 OOD	Relationship through a person exercising significant influence
M.O. Stara Zagora OOD	Relationship through a person exercising significant influence
Biser Distribution OOD	Relationship through a person exercising significant influence
LG Auto OOD	Relationship through a person exercising significant influence
Auto Spa Center OOD	Relationship through a person exercising significant influence
Next Kapital OOD	Relationship through a person exercising significant influence
LG Auto 2 OOD	Relationship through a person exercising significant influence
Vladista EOOD	Relationship through a person exercising significant influence
"AA Invest 1" EOOD	Relationship through a person exercising significant influence
"AP INVESTMENTS" AD	Relationship through a person exercising significant influence
"AP CAPITAL" AD	Relationship through a person exercising significant influence
Angels Estate AD	Relationship through a person exercising significant influence
"ACIBADEM CITY CLINIC EAD	Relationship through a person exercising significant influence
"Gallery Varna" AD	Relationship through a person exercising significant influence
"Farmpro" OOD	Relationship through a person exercising significant influence
"ACIBADEM CITY CLINIC MLADOST" EOOD	Relationship through a person exercising significant influence
ACIBADEM CITY CLINIC UMBAL TOKUDA EAD	Relationship through a person exercising significant influence
"APL Capital" AD	Relationship through a person exercising significant influence

GRADUS AD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY – DECEMBER 2023

BGK AD	Relationship through a person exercising significant influence
“West Mall” AD	Relationship through a person exercising significant influence

Related party transactions for 2023

<i>In BGN'000</i>	Type of transaction	Transaction amount for the period 2023	Total receivables 31.12.2023	Total payables 31.12.2023
At 31 December 2023				
Agro Invest-7 OOD	Sales	425	100	-
Energy- 2 OOD	Sales	2 080	2 102	-
Energy- 2 OOD	Loan granted	1	179	-
M.O. Stara Zagora OOD	Loan granted	-	605	-
Biser Oliva AD	Sales	7	-	-
Equiti Invest - 1 AD	Sales	1	-	-
Equiti Invest - 2 OOD	Sales	1	-	-
Farmpro OOD	Sales	484	-	-
Ivan Angelov Angelov	Sales	70	2	-
Agro Invest-7 OOD	Purchases	918	-	12
Biser Oliva AD	Purchases	5 525	-	602
Total balances related parties outside the Group:			2 988	614
Including:				
Loans granted			784	-
Trade receivables			2 204	-
Trade payables			-	614

Related party transactions for 2022

<i>In BGN'000</i>	Type of transaction	Transaction amount for the period 2022	Total receivables 31.12.2022	Total payables 31.12.2022
Agro Invest-7 OOD	Sales	390	422	-
Agro Invest-7 OOD	Loan granted	-	268	-
Energy- 2 OOD	Sales	1 579	1 954	-
Energy- 2 OOD	Loan granted	-	874	-
M.O. Stara Zagora OOD	Loan granted	-	1 034	-
Biser Oliva AD	Sales	6	-	-
Mirena OOD	Sales	81	-	-
Equity Invest-1 AD	Sales	1	-	-
Equity Invest-2 OOD	Sales	1	-	-
Ivan Agnelov Agnelov	Sales	212	23	-
Ivan Agnelov Agnelov	Dividends	-	-	114
Luka Agnelov Agnelov	Dividends	-	-	114
Agro Invest-7 OOD	Purchases	599	-	56
Biser Oliva AD	Purchases	4 704	-	72
Ralitsa 2004 OOD	Purchases	441	-	-
Total balances related parties outside the Group:			4 575	356
Including:				
Loans granted			2 176	-
Trade receivables			2 399	-
Trade payables			-	356

35. Contingent liabilities

As of 31 December 2023 the Group has no contingent liabilities.

36. Events after the reporting date

There are no other material events occurring after December 31, 2023 that require additional adjustments and/or disclosures to the current financial statements as of December 31, 2023.