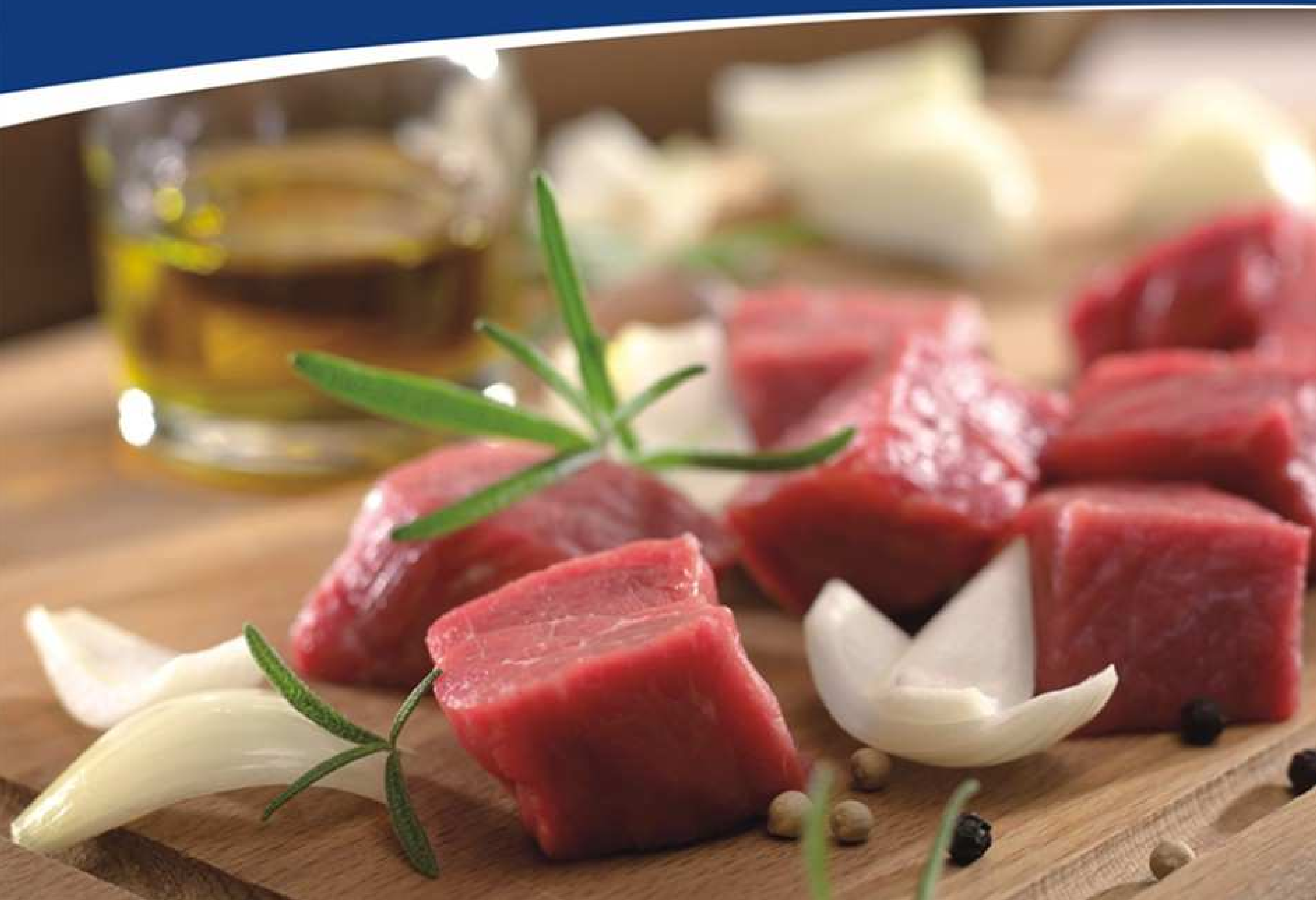
CONSOLIDATED FINANCIAL STATEMENTS

THE GOBARTO S.A. GROUP

FOR THE YEAR ENDED ON 31 DECEMBER 2017

TOGETHER WITH THE REPORT ON THE AUDIT BY THE INDEPENDENT CERTIFIED AUDITOR

Approved on 21 March 2018



SELECTED FINANCIAL DATA

	in thousands of PLN		in thousands of EUR	
	Year ended on 31 December 2017	***Year ended on 31 December 2016***	***Year ended on 31 December 2017***	***Year ended on 31 December 2016***
Net income from products and merchandise sales	1,768,795	1,454,296	416,707	332,357
Gain (loss) on operating activity	39,934	41,829	9,408	9,559
Gross profit (loss)	26,533	33,390	6,251	7,631
Net profit (loss)	20,970	31,110	4,940	7,110
			-	-
Net cash flow from business operations	61,622	55,203	14,517	12,616
Net cash flow from investments	- 17,533	- 37,720	- 4,131	- 8,620
Net cash flow from financial operations	- 38,331	- 5,328	- 9,030	- 1,218
Total net cash flows	5,757	12,155	1,356	2,778

	31 December 2017	***31 December 2016***	***31 December 2017***	***31 December 2016***
Total Assets	1,057,438	773,765	253,528	174,902
Liabilities and provisions for liabilities	631,895	367,455	151,501	83,059
Long-term liabilities	79,430	81,407	19,044	18,401
Current liabilities	552,465	286,049	132,457	64,658
Shareholders' equity	425,543	406,310	102,027	91,842
Share capital	278,002	278,002	66,653	62,840
Number of shares (in pieces)	27,800,229	27,800,229	27,800,229	27,800,229
Gain (loss) per one ordinary share (in PLN/EUR)	0.75	1.12	0.18	0.26
Book value per one share (in PLN/EUR)	15.31	14.62	3.67	3.30

For translating the balance sheet items in the Financial Statements, the average exchange rate of the National Bank of Poland as at the last working day in the respective periods was applied:

- **4.1709** EUR/PLN as at 31 December 2017
- **4.4240** EUR/PLN as at 31 December 2016

For translating the individual items in the profit and loss account and for the cash flow statement the following annual average exchange rates were applied:

- **4.2447** EUR/PLN for the period from 1 January to 31 December 2017
- **4.3757** EUR/PLN for the period from 1 January to 31 March 2016

(in thousands of PLN)

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended on 31 December 2017

	Note	*Year ended on 31 December 2017*	*Year ended on 31 December 2016*
Continued operation			(restated)
Income on products and services sales		759,030	622,769
Income from merchandise sales		1,009,765	831,527
Income from sales		**1,768,795**	**1,454,296**
Own expenses of products and services sold	12.5	- 680,503	- 555,505
Cost of goods sold		- 889,689	- 729,785
Own cost of sales		**- 1,570,192**	**- 1,285,290**
Gross profit (loss) on sales		**198,603**	**169,006**
Other operating income	12.1	12,544	20,521
Cost of sales	12.5	- 117,706	- 103,468
Overhead expenses	12.5	- 44,507	- 31,392
Other operating expenses	12.2	- 9,000	- 12,838
Gain (loss) on operating activity		**39,934**	**41,829**
Financial income	12.3	312	631
Financial expenses	12.4	- 13,713	- 9,070
Gross profit (loss)		**26,533**	**33,390**
Income tax	14	- 5,563	- 2,280
Net gain (loss) on continued operations		**20,970**	**31,110**
Discontinued operations			
Gain (loss) on discontinued operations		-	-
Net gain (loss) for the period, to:		**20,970**	**31,110**
- shareholders of controlling entity		**20,970**	**31,110**
- non-controlling shareholders		**-**	**-**

Profit / (loss) per one share:		
– primary, from profit for the year, attributable to shareholders of the controlling entity	0.75	1.12
– primary, from profit on continued operations for the year, attributable to shareholders of the controlling entity	0.75	1.12
– diluted, from profit for the year, attributable to shareholders of the controlling entity	0.75	1.12
– diluted, from profit on continued operations for the year, attributable to shareholders of the controlling entity	0.75	1.12

(in thousands of PLN)

CONSOLIDATED STATEMENT ON ALL INCOME

for the year ended on 31 December 2017

	Note	*Year ended on 31 December 2017*	*Year ended on 31 December 2016*
Net gain (loss) for the period		**20,970**	**31,110**
Other total income			
Items to be reclassified to the profit/(loss) in subsequent reporting periods:			
Currency translation profit/loss from recalculation of foreign affiliates		- 2,112	- 429
Cash flow hedges	34	374	269
Other comprehensive income, net, to be reclassified to the profit/(loss) in subsequent reporting periods		**- 1,738**	**- 161**
TOTAL INCOME FOR THE PERIOD, ATTRIBUTABLE TO:		**19,232**	**30,950**
- shareholders of the parent company		**19,232**	**30,950**
- non-controlling shareholders		**-**	**-**

(in thousands of PLN)

CONSOLIDATED STATEMENT ON THE FINANCIAL POSITION

as at 31 December 2017

	Note	*31 December 2017*	*31 December 2016*
ASSETS			*(restated)*
Fixed assets		**673,148**	**458,232**
Tangible fixed assets	18	479,406	319,050
Biological fixed assets	28	11,225	12,455
Investment real properties	20	41,263	14,345
Intangible assets	23	14,391	7,952
Goodwill	24	93,253	73,605
Trademark	24	18,633	17,400
Other (long-term) financial assets	25.1	1,334	1,583
Long-term receivables		133	3
Deferred corporate tax	14.3	13,495	11,737
Other (long-term) non-financial assets	25.2	15	102
Current assets		**355,309**	**258,264**
Inventories	27	70,203	34,876
Biological assets	28	49,376	49,979
Trading receivables and other receivables	29	148,686	99,408
Cash and cash equivalents	30	62,090	56,333
Other (short-term) non-financial assets	25.2	24,954	17,668
Fixed assets held for sale	**21**	**28,981**	**57,269**
TOTAL ASSETS		**1,057,438**	**773,765**

(in thousands of PLN)

	Note	31 December 2017	31 December 2016
LIABILITIES AND SHAREHOLDERS' EQUITY			*(restated)*
Own capital (attributable to the parent company's shareholders)		**425,543**	**406,310**
Share capital		278,002	278,002
Revenue reserve		153,519	140,917
Currency translation profit/loss from recalculation of foreign affiliates		-30,654	-28,542
Other revenue reserves		1,896	-374
Retained profits / uncovered losses		22,780	16,307
Non-controlling shares		-	-
Long-term liabilities		**79,430**	**81,407**
Interest bearing borrowings	33	18,957	55,503
Provisions for wages and salaries payable, net	35	1,071	337
Financial liabilities	36.1	31,187	17,242
Other non-financial liabilities	36.2	4,500	-
Provision from deferred income tax	14.3	19,847	4,027
Deferred income	36.3	3,868	4,298
Current liabilities		**552,465**	**286,048**
Current part of interest-bearing borrowings	33	179,310	113,134
Provisions for wages and salaries payable, net	35	108	48
Accounts payable	36.1	205,991	147,790
Accrued income tax		463	139
Financial liabilities	36.1	14,568	4,756
Other non-financial liabilities	36.2	137,061	13,356
Prepayments and accruals	36.3	5,050	3,352
Deferred income	36.3	6,010	752
Other provisions	35	3,904	2,721
Total liabilities		**631,895**	**367,455**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,057,438**	**773,765**

(in thousands of PLN)

CONSOLIDATED CASH FLOW STATEMENT

for the year ended on 31 December 2017

	Note	*Year ended on 31 December 2017*	*Year ended on 31 December 2016*
Cash flow from operations			(restated)
Net profit (loss)		**20,970**	**31,110**
Adjustment for items:		**40,652**	**24,093**
Depreciation	12.6	30,121	22,012
(Gain) loss on foreign exchange translations		- 1,738	- 160
(Gain) loss on investments		- 6,437	- 11,475
(Increase) decrease in receivables		21,549	15,257
(Increase) decrease in inventories		3,128	- 14,583
Increase (decrease) in liabilities, except borrowings		- 16,351	5,244
Interest revenues	12.3	- 305	- 258
Interest expenses (paid)	12.4	6,890	7,080
Change in accruals		2,768	29
Change in provisions	35.1	1,026	1,052
Other		1	- 105
Net liquid assets from business operations		**61,622**	**55,203**
Cash flow from investments			
Disposal of tangible and intangible fixed assets		15,037	5,740
Acquisition of tangible and intangible fixed assets		- 19,170	- 28,281
Acquisition of subsidiaries after deduction of the acquired liquid assets		- 15,113	- 16,579
From financial assets		1,713	- 1,358
Other		-	2,758
Net liquid assets from investments		**- 17,533**	**- 37,720**
Cash flow from financial operations			
Repayment of financial leasing liabilities	19.1	- 5,710	- 3,875
Cash inflows from loans/bank loans received		137,159	31,425
Repayment of borrowings		- 162,891	- 25,798
Interest paid	12.4	- 6,890	- 7,080
Net liquid assets from financial operations		**- 38,332**	**- 5,328**
Net increase (decrease) in cash and cash equivalents		**5,757**	**12,155**
Cash and cash equivalents at the beginning of the period	30	56,333	44,178
Cash and cash equivalents at the end of the period		**62,090**	**56,333**

(in thousands of PLN)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended on 31 December 2017

	Share capital	*Revenue reserve*	*Currency translation profit/loss from recalculation of a foreign affiliate*	*Other revenue reserves*	*Retained profits / uncovered losses*	*Total*	*Non-controlling shares*	*Total Shareholders' equity*
As at 1 January 2017	**278,002**	**140,917**	**- 28,542**	**- 374**	**16,307**	**406,310**	**-**	**406,310**
Net gain/loss for the period	-	-	-	-	20,970	20,970	-	**20,970**
Other comprehensive income for the period			- 2,112	374		- 1,738	-	**- 1,738**
Comprehensive income for the period	-	-	- 2,112	374	20,970	19,232	-	**19,232**
Distribution of profit/covering of loss		12,601		1,896	- 14,496	-	-	**-**
As at 31 December 2017	**278,002**	**153,519**	**- 30,654**	**1,896**	**22,780**	**425,543**	**-**	**425,543**

for year ended on 31 December 2016 (restated)

	Share capital	*Revenue reserve*	*Currency translation profit/loss from recalculation of a foreign affiliate*	*Other revenue reserves*	*Retained profits / uncovered losses*	*Total*	*Non-controlling shares*	*Total Shareholders' equity*
As at 1 January 2016	**278,002**	**121,034**	**- 28,113**	**- 643**	**5,185**	**375,465**	**-**	**375,465**
Net gain/loss for the period	-	-	-	-	24,672	24,672	-	**24,672**
Gain on the bargain acquisition of shares in PPH Ferma-Pol sp. z o.o. (Note 22.1)					6,438			
Other comprehensive income for the period			- 429	269		- 160	-	**- 160**
Comprehensive income for the	-	-	- 429	269	31,110	30,950	-	**30,950**

(in thousands of PLN)

period								
Changes in the ownership structure of subsidiaries		4,847	-		- 4,847		-	**-**
Distribution of profit/covering of loss		15,037			- 15,037	-	-	**-**
Other					- 104	- 104	-	**- 104**
As at 31 December 2016	**278,002**	**140,917**	**- 28,542**	**- 374**	**16,307**	**406,310**	**-**	**406,310**

(in thousands of PLN)

ACCOUNTING PRINCIPLES (POLICY) AND THE NOTES

1 General Information

GOBARTO S.A. Group of Companies ("Group") is composed of the GOBARTO S.A. company („the parent company", „the Company") and its subsidiaries (see Note 3). The Consolidated Financial Statements of the Group cover the year ended 31 December 2017 and contain comparative data for the year ended 31 December 2016.

The Parent Company is registered in the Register of Entrepreneurs of the National Court Register for the capital city of Warsaw kept by the District Court, 13th Business Division of the National Court Register, under KRS number 0000094093.

The Parent Company was granted the Business Registration Number (REGON): 411141076.

Duration of the Parent Company and other members of the Group of Companies is indefinite.

Primary business activities of the Group covers:

1. Raising of swine/pigs
2. Production of pork
3. Manufacture of canned meat products, cured meat products, meat offal products
4. Wholesale of raw meat and meat products.
5. Agricultural production
6. Plant production

2 Composition of the Management Board of the Parent Company

The Management Board of the Parent Company was composed as at 31 December 2017 of:

Dariusz Formela	President of the Management Board
Roman Miler	Vice-President of the Management Board
Rafał Oleszak	Vice-President of the Management Board
Przemysław Koźlakiewicz	Vice-President of the Management Board

From 31 December 2017 until the date of publication, i.e. 21 March 2018, there were no changes in the Management Board of the parent company.

3 Composition of the Group

The Parent Company of the Group is Gobarto S.A. with its registered office in Warsaw at ul. Kłobucka 25. Business operations of the Company are focused on buying, slaughter, cutting, processing of pork, and distribution of meat and cured meat products; freezing and storage of food products.

(in thousands of PLN)

The GOBARTO Group is composed of GOBARTO S.A. and the following subsidiaries:

Entity	***Registered office***	***Scope of operation***	***% interest in the Group in the share capital***	
			31 December 2017	***31 December 2016***
Agro Bieganów sp. z o.o.	Bieganów 19 69-108 Cybinka	agricultural production, breeding of meat cattle and breeding of pigs in a full production cycle.	100%	100%
Agro Gobarto sp. z o.o. (formerly Agro Duda sp. z o.o.)	Grąbkowo 73 63-930 Jutrosin	raising of swine/pigs	100%	100%
Agro Net sp. z o.o.	Grąbkowo 73 63-930 Jutrosin	plant-related activities	100%	100%
Agroferm sp. z o.o.	Grąbkowo 73 63-930 Jutrosin	raising of swine/pigs, plant production	100%	100%
Agroprof sp. z o.o.	Grąbkowo 73 63-930 Jutrosin	plant production of cereals	100%	100%
Bekpol sp. z o.o.	ul. Wrocławska 83 58-306 Wałbrzych	wholesale of meat, cured meat products and poultry	100%	-
Bio Gamma sp. z o.o.	Grąbkowo 73 63-930 Jutrosin	activities using renewable sources of energy	100%	100%
Bio Delta sp. z o.o.	Grąbkowo 73 63-930 Jutrosin	activities using renewable sources of energy	100%	100%
Bioenergia sp. z o.o.	Grąbkowo 73 63-930 Jutrosin	feeding of swine/pigs	100%	100%
Polskie Biogazownie „Energy-Zalesie” Sp. z o.o.	ul. Krucza 24/26 00-526 Warszawa	activities using renewable sources of energy	100%	-
Brassica sp. z o.o.	Grąbkowo 73 63-930 Jutrosin	producers' group - sale of oilseed plants	100%	100%
Przedsiębiorstwo Produkcyjno – Usługowe Ferma-Pol sp. z o.o.	Zalesie 46-146 Domaszowice	plant production and raising of swine/pigs	100%	100%
Gobarto Hodowca sp. z o.o. (formerly Hodowca sp. z o.o.)	Grąbkowo 73 63-930 Jutrosin	producers' group - sale of swine/pigs	100%	100%
Insignia Management sp. z o.o.	Grąbkowo 73 63-930 Jutrosin	intermediation in the purchase to the group	100%	100%
Jama sp. z o.o.	ul. Wysockiego 17, 58-300 Wałbrzych	wholesale of meat, cured meat products, poultry and cheeses	100%	-
Makton Nieruchomości Sp. z o.o.	ul. Kłobucka 25 02-699 Warszawa	sale of real properties	100%	100%
Meat-Pac sp. z o.o.	ul. Wrocławska 83 58-306 Wałbrzych	cutting of poultry meat	100%	-
Netbrokers Polska sp. z o.o.	ul. Kłobucka 25 02-699 Warszawa	management of Netbrokers Polska sp. z o.o. sp. K	100%	100%
Netbrokers Polska sp. z o.o. sp. K.	ul. Cystersów 22 31-553 Kraków	trading activities	100%	100%
Plon sp. z o.o.	Grąbkowo 73 63-930 Jutrosin	producers' group - sale of cereals	100%	100%
Gobarto Dziczyzna sp. z o.o. (formerly Polski Koncern Mięsny Dziczyzna sp. z o.o.)	Grąbkowo 73 63-930 Jutrosin	purchase and processing of wild game	100%	100%
PorkPro Polska sp. z o.o.	ul. Kłobucka 25 02-699 Warszawa	management of Pork Pro sp. z o.o. sp. k.	100%	100%
PorkPro Polska sp. z o.o. Sp.K.	ul. Kłobucka 25 02-699 Warszawa	purchase of piglets and pigs; trade in meat	100%	100%

(in thousands of PLN)

Rolpol sp. z o.o.	Grąbkowo 73 63-930 Jutrosin	plant production of cereals	100%	100%
Tigra Trans sp. z o.o.	ul. Kłobucka 25 02-699 Warszawa	management of Tigra Trans Sp. z o.o. sp. k.	100%	100%
Tigra Trans sp. z o.o. sp. K.	ul. Kłobucka 25 02-699 Warszawa	transportation services	100%	100%
Rosan Agro sp. z o.o.	ul. Pasiczna 135 79035 Lviv; Ukraine	production of live animals for slaughter	100%	100%
Pieprzyk Rohatyń sp. z o.o.	ul. Pasiczna 135 79035 Lviv; Ukraine		100%	100%
Dom Handlowy Rosana	ul. Pasiczna 135 79035 Lviv; Ukraine	sale and distribution of cured meat products	100%	100%
Dom Handlowy Rosana Plus	ul. Pasiczna 135 79035 Lviv; Ukraine	sale and distribution of cured meat products	100%	100%
PP Świniokompleks Zoria	ul. Pasiczna 135 79035 Lviv; Ukraine		100%	100%
PF "MK" Rosana	ul. Pasiczna 135 79035 Lviv; Ukraine	slaughtering, cutting, production of cured meat products and sale of cured meat products and meat	100%	100%
Zakłady Mięsne Silesia S.A.	ul. Opolska 22 40-084 Katowice	production of meat products, excluding products from poultry meat, wholesale of meat and meat products	100%	-
Silesia Pet Foods sp. z o.o.	ul. Baczyńskiego 165 41-203 Sosnowiec,	production and sale of prepared pet foods	100%	-
Vital Food Silesia sp. z o.o.	ul. Baczyńskiego 165 41-203 Sosnowiec	manufacture and sale of prepared meals and dishes	100%	-
Silesia Logistics sp. z o.o.	ul. Baczyńskiego 165 41-203 Sosnowiec	transportation services	100%	-
Samba sp. z o.o.	ul. Opolska 18 31-323 Kraków	retail sale of meat and meat products	100%	-
Panteon S.A.	ul. Gliwicka 12/12 40-079 Katowice	Activities of head offices and holdings, except for financial holdings	100%	-
Centrum Dystrybucji Imperium sp. z o.o.	ul. Zagrodnia 6 43-512 Bestwinka	processing, preserving and sale of poultry meat	100%	-
Meat Market sp. z o.o.	ul. Baczyńskiego 165 41-203 Sosnowiec	retail sale of meat and meat products	100%	-

As at 31 December 2017 and as at 31 December 2016, the interest in the total voting rights held by the Group in its subsidiaries is equal to its interest in the capitals of these entities.

4 Changes in the composition of the Group

4.1 Acquisition of a subsidiary, Bekpol sp. z o.o.

On 3 January 2017, the parent company acquired shares in BEKPOL, a limited liability company with its registered office in Wałbrzych. The subject matter of the transaction was the purchase of 100% of shares, i.e. 238,980 shares, each with the nominal value of PLN 50, with the total nominal value of PLN 11,949,000.

Detailed settlement of the acquisition of shares in accordance with Note 22.2.

4.2 Acquisition of a subsidiary, Meat-Pac sp. z o.o.

On 3 January 2017, the parent company acquired shares in Meat-Pac, a limited liability company with its registered office in Wałbrzych. The subject matter of the purchase were 100% of shares, i.e. 100 shares, each with the nominal value of PLN 50, with the total nominal value of PLN 5.000.

Detailed settlement of the acquisition of shares in accordance with Note 22.3.

4.3 Acquisition of a subsidiary, Polskie Biogazownie „Energy-Zalesie" sp. z o.o.

On 10 April 2017, PPH Ferma-Pol sp. z o.o., a subsidiary, acquired shares in Polskie Biogazownie „Energy-Zalesie", a limited liability company with its registered office in Warsaw. The subject matter of the transaction was the purchase of 100% of shares, i.e. 600 shares, each with the nominal value of PLN 100, with the total nominal value of PLN 60.000.

Detailed settlement of the acquisition of shares in accordance with Note 22.4.

4.4 Purchase of an Organised Part of the Enterprise

On 31 October 2017, the Company concluded a purchase agreement with Cedrob S.A. (purchase under a joint control):

- of an organised part of the enterprise, constituting an organized set of tangible and intangible assets intended for conducting business activity consisting of manufacture of processed products in the processing plant in Ciechanów, for the price of PLN 24,685,600,
- of an organized part of an enterprise, constituting an organized set of tangible and intangible assets intended for conducting business activity consisting in the retail sale of cured meat products and meat in twenty-five company stores, for the price of PLN 3,314,400.
- The payment will be made in two installments, as follows:
- by 30 June 2018, the Company will pay PLN 14,000,000
- by 31 December 2018, the Company will pay the remaining amount, i.e. PLN 14,000,000.
- Detailed settlement of the acquisition of shares in accordance with Note 22.5.

4.5 Acquisition of a subsidiary, JAMA sp. z o.o.

On 2 November 2017, the parent company acquired shares in JAMA sp. z o.o. with its registered office in Wałbrzych. The subject matter of the transaction was the purchase of 100% of shares, i.e. 3.000 shares, each with the nominal value of PLN 50, with the total nominal value of PLN 150.000.

Detailed settlement of the acquisition of shares in accordance with Note 22.6.

4.6 Acquisition of a subsidiary, Zakłady Mięsne Silesia S.A.

On 1 December 2017, the Company acquired shares in Zakłady Mięsne Silesia Spółka Akcyjna with its registered office in Katowice from CEDROB S.A. (acquisition under joint control).

The subject matter of the transaction was the purchase of 100% of shares, i.e. 5,500,000 shares, each with the nominal value of PLN 0.50, with the total nominal value of PLN 2,750,000.

The purchase price of 100% shares in ZM Silesia S.A. as established in the Transaction was PLN 78,000,000.

The payment will be made in two installments:

- PLN 30,000,000 by 30 June 2018,
- PLN 48,000,000 by 31 December 2018.

Detailed settlement of the acquisition of shares in accordance with Note 22.7.

5 Approval of the Financial Statement

These Consolidated Financial Statements were approved for publication by the Management Board on 21 March 2018.

6 Significant values based on professional judgments and estimates

6.1 Professional judgments

Preparation of consolidated Financial Statements of the Group requires that the Management Board of the Controlling Company makes judgments, estimates and assumptions that affect the reported income, expenses, assets and liabilities and the related notes and disclosures relating to any contingent liabilities. Uncertainty about these assumptions and estimates could result in material adjustments to the carrying amounts of assets and liabilities in the future.

In the application of the accounting rules (policies), the Management Board made the following judgments that have the greatest impact on the reported carrying amounts of assets and liabilities.

Classification of leasing agreements

The Group classifies leases as operating or financial based on an assessment of the extent to which the risks and benefits from ownership of the leased item are attributable to the lessor and to the lessee. This assessment is based on the economic content of each transaction.

6.2 Uncertainty of estimates and assumptions

The key assumptions concerning the future and other key sources of uncertainty at the balance sheet date which carry a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Group has adopted assumptions and estimates about the future based on the knowledge acquired during the preparation of the Financial Statements. Common assumptions and estimates may change as a result of events in the future due to changes in the market or changes that are not under the control of the Group. These changes are reflected in the estimates or assumptions at the time of occurrence.

Impairment of tangible fixed assets

As at 31 December 2017, the Group's market capitalization was less than the book value of its equity (by PLN 206 million), thus indicating a potential impairment of fixed assets of the Group.
The Group conducted tests for impairment of fixed assets. This required the estimation of the value in use of the cash-generating unit to which these fixed assets belong. The estimation of value in use consists in determining future cash flows generated by the cash-generating unit and requires determining the discount rate to be used in order to calculate the current value of these cash flows. The used assumptions are presented in Note 24.

Deferred tax assets

The Group recognizes a deferred tax asset based on the assumption that in the future it will generate taxable profit that will allow for using the asset. Deterioration of tax results in the future could cause this assumption unreasonable. The Management Board estimates that the recognized deferred tax assets will be realized. Details of the settlement of the deferred tax are presented in Note 14.3.

Depreciation and amortization rates

Depreciation and amortisation rates are determined based on the estimated economic useful lives of the tangible and intangible fixed assets. The Group annually reviews the economically useful lives based on current estimates. Upon the review carried out in 2017, there were no changes to the depreciation and amortization rates.

Economically useful lives of intangible assets

The Group, at the moment of recognition of an intangible asset, determines the estimated economically useful life. The Group has intangible assets with both definite and indefinite useful lives. The adopted economically useful lives are reviewed annually. For intangible assets for which the useful life has not been determined, the Group performs periodic testing for impairment.

Biological assets

The fair value of biological assets was determined based on market prices at the time of valuation. The assumptions underlying the valuation of biological assets are presented in Note 28.

Investment real properties

The fair value of investment property is determined on the basis of appraisal studies made by appraisers or any existing purchase offers. The Group restates the value of the property annually. The used assumptions are presented in Note 20.

Fixed assets held for sale

The fair value of fixed assets held for sale is determined on the basis of appraisal studies made by appraisers or any existing purchase offers – Note 21.

Valuation of provisions for wages and salaries payable

Provisions for wages and salaries payable have been determined by the Group using the actuarial methods. The used assumptions are presented in Note 26.1.

Fair value of financial instruments

The fair value of financial instruments for which there is no active market is determined using appropriate valuation techniques. In selecting appropriate methods and assumptions, the Group uses professional judgment. The method of determining the fair value of financial instruments is disclosed in Note 34.1.

Uncertainty connected with tax settlements

Regulations of law governing the value added tax, corporate income tax and social security charges are subject to frequent changes. These frequent changes lead to the absence of respective benchmarks, inconsistent interpretations, and a few established precedents that might be applicable. The provisions of law in force contain also ambiguities that are a result of differences in opinions and legal interpretations of fiscal laws both between various state authorities, and state authorities and enterprises.

Tax reconciliations and other areas of operation (such as customs or foreign currency issues) may be subject to control by authorities that are authorized to impose high fines and penalties, while any additional tax liabilities determined in the course of such a control must be paid together with high interest. These conditions make the tax risk in Poland higher than in countries with more mature fiscal systems.

Consequently, the amounts presented and disclosed in the financial statements may change in the future as a result of the final decision of the tax auditing authority.

On 15 July 2016, the General Tax Code was amended to reflect provisions of the General Anti-Avoidance Regime (GAAR). The GAAR is designed to prevent creation and use of artificial legal structures that are created to avoid paying taxes in Poland. The GAAR defines tax evasion as an act made primarily for the purpose of obtaining a tax advantage that is contradictory in the given circumstances to the subject matter and purpose of the tax law provisions. According to the GAAR, such an act does not result in a tax advantage if the mode of operation was artificial. Any occurrence of (i) unreasonable division of operations, (ii) involvement of intermediaries despite economic or commercial justification, (iii) mutually supportive or compensating elements, and (iv) other actions with similar effects to those previously mentioned may be treated as a condition of existence of any artificial activities subject to the GAAR. The new regulations will require much greater judgment when assessing the tax consequences of individual transactions.

The GAAR should apply to transactions made after it enters into force and to transactions that were made before the GAAR's entry into force, but for which advantages have been or still are being achieved after such an entry. Implementation of the above provisions will allow Polish tax authorities to question the legal arrangements and settlements of taxpayers, such as restructuring and reorganization of the group.

The Group recognizes and measures current and deferred tax assets and liabilities using IAS 12 Income Taxes, based on the gain (taxable loss), tax base, unused tax losses, unused tax credits and tax rates, taking into account the assessment of uncertainties related to the tax settlements. When there is uncertainty as to whether and to what extent the tax authority will accept individual tax settlements of any transactions, the Group recognizes these settlements taking into account the uncertainty assessment.

7 Grounds for preparing the Consolidated Financial Statements

These Consolidated Financial Statements have been prepared under the historical cost convention, except for investment properties, derivatives and biological assets, which are measured at fair value.

The carrying amount of hedged assets and liabilities is adjusted for changes in the fair value attributable to the risk against which the assets and liabilities are hedged.

These Consolidated Financial Statements are presented in the Polish zloty ("PLN") and all values, unless otherwise indicated, are expressed in thousands of PLN.

These Consolidated Financial Statements have been prepared with the assumption that the companies of the Group will continue their business operation (going concern) in the foreseeable future. As at 31 December 2017, one of the financial covenants resulting from the Bank Loan Agreement with PEKAO reached a value lower than required in the Agreement. The share of the equity ratio in the balance sheet total was 40.24% against the 45% required by the Agreement.

On 20 March 2018, the Company signed with PeKaO S.A. an annex to the bank loan agreement setting a reduced limit value of the index as at 31 December 2017, as a result of which the Company met all the financial ratios, and thus obtained assurance that the loan will not be made immediately payable.

Considering the fact that the annex was concluded on 20 March 2018, i.e. after the end of the reporting period ended on 31 December 2017, the Company reclassified the long-term part of loan liabilities in the amount of PLN 121 million to the current portion of interest-bearing loans and borrowings in these Consolidated Financial Statements, in accordance with IAS 1, "Presentation of Financial Statements", para. 74. The value of current assets as at 31 December 2017 is PLN 355,309 thousand, while current liabilities amount to 552,495 thousand PLN. The difference in value of PLN 197,156 thousand results mainly from the reclassification of loan liabilities from long-term to short-term ones (PLN 121 million) as described above. The Management Board is planning to cover the remaining deficit with 5s7DĄ.

As at the date of approval of these Consolidated Financial Statements for publication, there are no circumstances indicating a threat to the Group companies continuing as going concerns, except for PorkPro Polska sp. o.o. s.k., the liquidation of which was decided on 1 January 2018. Liquidation of PorkPro Polska sp. o.o. s.k. does not mean cessation or threat to the Group's operations or impairment of assets in any of the Group's segments. The share of revenues from the sale of PorkPro Polska sp. o.o. s.k. to the sales revenue of the entire Group is 9.71%.

7.1 Declaration on compliance

These Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the EU ("EU IFRS"). As at the date of these Consolidated Financial Statements approval for publication, accounting for the process of deployment of the IFRS pending in EU, the IFRS applicable to these Consolidated Financial Statements are not different from the EU IFRS.

EU IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC"). Some entities of the Group keep their books of account in accordance with the policy (principles) set forth in Accounting Act of 29 September 1994 (the "Act"), as amended and any regulations issued thereunder ("Polish Accounting Standards"), some other in the Ukrainian Accounting and Financial Reporting Act, the National Accounting Standards and other normative documents in respect of the accounting records organization ("Ukrainian Accounting Standards") and the German Commercial Code ("German Accounting Standards"). The Consolidated Financial Statements include adjustments not included in the books of account of the Group that were introduced in order to reconcile financial statements of these entities to comply with IFRS.

7.2 Functional currency and Financial Statements currency

The Consolidated Financial Statements of the Group are presented in PLN, which is also the functional currency of the Parent Company. For each subsidiary the functional currency is determined and the assets and liabilities of that entity are measured in the functional currency. The functional currency of subsidiaries located in Poland and covered by these Consolidated Financial Statements is the Polish Zloty. The functional currency of subsidiaries located in Ukraine is the Ukrainian Hryvnia

8 Changes in accounting policies

The accounting principles (policy) used in preparing these Consolidated Financial Statements are consistent with those used in the preparation of the Group's Consolidated Financial Statements for the year ended 31 December 2016, except as set out below. The following amendments to IFRS have been applied in these Consolidated Financial Statements in accordance with their effective date, but they did not have a material effect on the presented financial information and disclosures, nor did they apply to transactions concluded by the Group.

- Amendments to IAS 12 Recognition of deferred income tax assets in respect of unrealized losses

  The changes clarify issues related to the creation of negative temporary differences in case of debt instruments valued at fair value, an estimate of the likely future taxable income and an assessment of whether the income generated will allow to realize negative temporary differences. The amendments apply retrospectively.
- Amendments to IAS 7 Disclosure initiative

  The changes require the entity to disclose information that enables users of financial statements to evaluate changes in liabilities arising from financing activities. No comparative information is required for previous periods.
- Amendments to IFRS 12 Disclosures about shares in other entities being a part of the Changes resulting from the review of IFRSs 2014-2016

  The changes clarify that the requirements specified in the standard also apply to the entity's shares in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), affiliates or not consolidated structured units, which have been classified (or included in the group for sale, which has been classified) as held for sale or as discontinued operations in accordance with IFRS 5 Fixed assets held for sale and discontinued operations.

The Group has not decided for an earlier adoption of any other standard, interpretation or amendment that were published, but they have not been yet effective in the light of the provisions of the European Union.

9 New standards and interpretations that have been publish but are not yet effective

The following standards and interpretations have been published by the International Accounting Standards Committee, but are not yet effective:

9.1 Implementation of IFRS 15

International Financial Reporting Standard 15 Revenue from contracts with clients ("IFRS 15"), which was issued in May 2014, and then amended in April 2016, establishes the so-called The Five Steps Model for recognizing revenues resulting from contracts with clients. In accordance with IFRS 15, revenues are recognized in the amount of remuneration which, according to the entity's expectation, is due in exchange for the transfer of promised goods or services to the client. The new standard will replace all existing requirements regarding revenue recognition in accordance with IFRS. The standard applies to annual reporting periods beginning on 1 January 2018 and after. Earlier application is allowed.

The Group has the right to choose a full or modified retrospective approach, and the transitional provisions provide for some practical solutions.

The Group operates in the area of:

1. **Product sales:**
   a) Raw meat
   b) Raw meat - venison
   c) Cured meat products
   d) Cereals
   e) Fatteners
   f) Transportation services

If a contract contains only one commitment to perform a service - sale of goods, the Group estimates that the impact of adopting IFRS 15 on recognizing revenues and the Group's financial results under such contract will not be material. Revenue will be recognized at a specific moment, i.e. when the customer obtains control over the goods.

As a part of the assessment of the impact of the introduction of IFRS 15, the Group considered such aspects as:

i. Variable remuneration

Some contracts with clients include variable amounts of remuneration in connection with the granting of discounts, rewards and performance bonuses.

In accordance with IFRS 15, if the remuneration specified in the contract includes a variable component, the entity estimates the amount of remuneration to which it will be entitled in exchange for the transfer of promised goods or services to the client and includes a part of or the entire variable remuneration to the transaction price only in the scope in which there is a high probability that there will be no reversal of a significant part of the amount of previously recognized accumulated revenues when the uncertainty about the amount of the variable remuneration has ceased.

The Group estimates that implementation of IFRS 15 will not affect the Consolidated Financial Statements for the year ended 31 December 2017.

• Right to return – not applicable.

The Group expects that adoption of IFRS 15 will not influence the Financial Statements for the year ended 31 December 2017

ii. Guarantees and Warranties

The Group does not grant warranty for the goods sold.

As a result of the above, the Group estimates that implementation of IFRS 15 will not affect the Consolidated Financial Statements for the year ended 31 December 2017.

2. **Advance payments received from customers** - the Group presents advances received from customers in the item "Accounts payable". All advance payments received are short-term ones, the order is processed immediately after receiving the advance payment. In accordance with the current accounting policy (principles), the Group does not recognize the interest expense on received advances.

3. **Presentation and disclosure requirements** - the Group analyzed the individual categories of revenues and contracts in terms of the impact of applying IFRS 15 on the manner of recognizing revenue, in particular in terms of the moment and amount of revenue recognized, as well as verified the correctness of presentation of individual revenue categories.
   The Group believes that the impact of these disclosures will not be material.

4. **Other adjustments** - Recognition and measurement requirements in accordance with IFRS 15 also apply to the recognition and measurement of profit/loss from the sale of non-financial assets (such as tangible and intangible fixed assets) when such sales do not take place in the ordinary course of business. In the Group's opinion, the impact of adopting IFRS 15 should not be significant.

In summary, the Group expects that the implementation of IFRS 15 will not affect the way revenue is recognized.

9.2 Implementation of IFRS 9

In July 2014, the International Accounting Standards Board published the International Financial Reporting Standard 9 Financial Instruments ("IFRS 9"). IFRS 9 covers three aspects related to financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 applies to annual periods beginning on 1 January 2018 and after, with the possibility of earlier application.

The Group is planning to apply IFRS 9 from the effective date of the standard, without restatement of the comparative data.

In 2017, the Group carried out a detailed assessment of the impact of the introduction of IFRS 9 on the accounting principles (policy) applied by the Group with respect to the Group's operations or its financial results. This assessment is based on currently available information and may be subject to changes resulting from the acquisition of rational and documentable additional information during the period for which the Group will apply IFRS 9 for the first time.

The Group does not expect a significant impact of the IFRS 9 introduction on the statement of financial position and the equity. As a result of the IFRS 9 application, the classification of financial instruments will not change.

a) Classification and valuation

The Group does not expect a material impact on the statement of financial position and the equity in connection with the application of IFRS 9 in the area of classification and valuation. It is expected that all financial assets so-far measured at fair value will continue to be measured at fair value.

Trade receivables are maintained to obtain cash flows resulting from the contract, and the Group does not sell trade receivables as a part of factoring - they will continue to be measured at the amortized cost by the financial result. The Group uses a practical exemption and does not identify any significant elements of financing for trade receivables with maturity under 12 months.

b) Impairment

The Group performed an analysis and believes that due to the nature of trade receivables, the impairment loss will not increase.

c) Hedge accounting

Because IFRS 9 does not change the general principles of the Group's hedge accounting, the application of IFRS 9 will not have a material impact on the Group's financial statements.

The Management Board assesses that the application of the standard will not have a significant impact on the financial statements.

9.3 Implementation of IFRS 16

In January 2016, the International Accounting Standards Board issued the International Financial Reporting Standard 16 Lease ("IFRS 16"), which replaced IAS 17 Leasing, IFRIC 4 Determining whether the contract includes leasing, SKI 15 Operating leases - special promotional offers and SKI 27 Assessment of the substance of transactions using the form of leasing. IFRS 16 sets out the accounting principles for leasing in terms of valuation, presentation and disclosure.

IFRS 16 introduces a single model of the lessee's accounting and requires the lessee to recognize assets and liabilities resulting from each lease with a period exceeding 12 months, unless the underlying asset is of low value. On the date of the commencement, the lessee recognizes an asset due to the right of use of the underlying asset and a lease liability that reflects his obligation in respect of making lease payments.

The lessee separately recognizes depreciation of the asset component under the right of use and interest on the lease liability.

The lessee updates the valuation of the lease liability after the occurrence of certain events (e.g. changes in the leasing period, changes in future lease payments resulting from a change in the index or the rate used to determine such charges). As a rule, the lessee recognizes the revaluation of the lease liability as an adjustment to the asset's value due to the right of use.

The Group is a lessee in respect of rental agreements for office space, machinery and equipment and vehicles, as described in detail in Note 19.

The lessor's accounting, in accordance with IFRS 16, remains substantially unchanged from current accounting in accordance with IAS 17. The lessor will continue to recognize all lease agreements using the same classification principles as in case of IAS 17, distinguishing between operating leases and financial leasing.

IFRS 16 requires broader disclosures than in case of IAS 17, from both the lessee and the lessor.

The lessee has the right to choose a full or modified retrospective approach, and the transitional provisions provide for some practical solutions.

IFRS 16 is effective for annual periods beginning on 1 January 2019 and after. Earlier application is permitted for entities that apply IFRS 15 from or before the first application of IFRS 16. The Group has not decided to apply IFRS 16 earlier.

At the date of approval of these Consolidated Financial Statements for publication, the Management Board has not yet completed work on assessing the impact of the introduction of IFRS 16 on the accounting principles (policy) applied by the Group in relation to the Group's operations or its financial results.

9.4 Implementation of other standards and interpretations

At the date of approval of these Consolidated Financial Statements for publication, the Management Board has not yet completed work on assessing the impact of the introduction of these standards and interpretations on the accounting principles (policy) applied by the Group in relation to the Group's operations or its financial results.

As at the date of approval of these Consolidated Financial Statements for publication, the Management Board does not expect that the introduction of other standards and interpretations would have a material impact on the accounting principles (policy) applied by the Group.

- IFRS 9 Financial Instruments (published on 24 July 2014) - effective for annual periods beginning on or after 1 January 2018,
- IFRS 14 Regulatory accruals (published on 30 January 2014) - according to the decision of the European Commission, the approval process of the standard in the pre-release version will not be initiated before the release of the standard in the final version - not approved by the EU by the date of approval of these financial statements - effective for periods beginning on or after 1 January 2016,
- IFRS 15 Revenue from Contracts with Customers (published on 28 May 2014), including the amendments to IFRS 15 Effective date of IFRS 15 (published on 11 September 2015) - effective for annual periods beginning on or after 1 January 2018,
- Amendments to IFRS 10 and IAS 28 Transactions of sales or transfers of assets between the investor and its associate or joint venture (published on 11 September 2014) - the works leading to the approval of these changes has been postponed indefinitely by the EU - the effective date was deferred by IASB for an indefinite time,
- IFRS 16 Leasing (published on 13 January 2016) - applicable to annual periods beginning on or after 1 January 2019,
- Amendments to IFRS 4: Application of IFRS 9 Financial Instruments together with IFRS 4 Insurance agreements (published on 12 September 2016) - effective for annual periods beginning on or after 1 January 2018,
- Explanations to IFRS 15 Revenue from Contracts with Customers (published on 12 April 2016) - effective for annual periods beginning on or after 1 January 2018,
- Amendments to IFRS 2 Classification and valuation of share-based payment transactions (published on 20 June 2016) - effective for annual periods beginning on or after 1 January 2018,
- Amendments to IAS 28 Investments in associates and joint ventures as a part of Changes resulting from the review of IFRS 2014-2016 (published on 8 December 2016) - applicable to annual periods beginning on or after 1 January 2018,

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards as a part of Changes resulting from the review of IFRS 2014-2016 (published on 8 December 2016) - applicable to annual periods beginning on or after 1 January 2018,
- IFRIC 22 Transactions in Foreign Currency and Advances (published on 8 December 2016) - not approved by the EU by the date of approval of these financial statements - effective for annual periods beginning on or after 1 January 2018,
- Amendments to IAS 40: Transfer of investment property (published on 8 December 2016) - effective for annual periods beginning on or after 1 January 2018,
- IFRS 17 Insurance Contracts (published on 18 May 2017) - until the date of approval of these financial statements not approved by the EU - effective for annual periods beginning on or after 1 January 2021,
- IFRIC 23 Uncertainty related to the recognition of income tax (published on 7 June 2017) - not approved by the EU by the date of approval of these financial statements - effective for annual periods beginning on or after 1 January 2019,
- Amendments to IFRS 9 Contracts with prepayment features with negative compensation (published on 12 October 2017) – not approved by the EU by the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2019,
- Amendments to IAS 28 Long-term shares in associates and joint ventures (published on 12 October 2017) – not approved by the EU by the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2019,
- Amendments resulting from the review of IFRS 2015-2017 (published on 12 December 2017) – not approved by the EU by the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2019,
- Amendments to IAS 19 Change, limitation or settlement of the program (published on 7 February 2018) – not approved by the EU by the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2019,

The dates of effectiveness are dates resulting from the content of standards announced by the International Financial Reporting Council. The dates of application of standards in the European Union may differ from the dates of application resulting from the content of standards and are announced at the time of approval for application by the European Union.

10 Relevant accounting principles

10.1 Principles of consolidation

These Consolidated Financial Statements include the financial statements of GOBARTO S.A. and the financial statements of its subsidiaries for the year ended 31 December 2017. The financial statements of the subsidiaries, upon adjustments made to ensure compliance with IFRS, are prepared for the same reporting period as the ones of the parent company (except for Agro Bieganów sp. z o.o., whose current accounting year covers 19 months (period from 1 June 2016 to 31 December 2017), and Insignia Management sp. z o.o., whose accounting year ends on 30 November), using consistent accounting principles, based on uniform accounting policies for like transactions and economic events. In order to eliminate any discrepancies in the accounting methods applied, any respective adjustments are made.

The Group has commenced registration activities at the Revenue Office and the National Court Register with a view to unify the accounting periods of all companies.

All significant balances and intercompany transactions, including unrealized profits arising from intra-group transactions, are eliminated in full. Unrealized losses are eliminated unless they prove any impairment.

Subsidiaries are subject to consolidation in a period from the date on which the Group gained control over them and cease to be consolidated from the date on which that control ceases.

The control is exercised by the parent company when:

• it has power over the entity,

• it is exposed to variable returns or has rights to variable returns from its involvement in the entity,

• it has the ability to use the authority to shape the level of returns generated.

A company verifies the fact of exercising control over other entities, if a situation occurred that indicates a change in one or more of the above-mentioned conditions of exercising control.

In a situation where a company has less than a majority of the voting rights in an entity, but the voting rights held are sufficient to unilaterally direct the relevant activities of the entity, it means that the company exercises power over the entity. At the time of assessing whether the voting rights in an entity are sufficient to exercise power, the Company analyzes all relevant circumstances, including:

• the size of the block of the voting rights in comparison to the size of the shares and the degree of dispersion of the voting rights held by other shareholders;

• potential voting rights held by the Company, other shareholders or other parties;

• rights under other contractual arrangements; and

• additional circumstances that may demonstrate that the Company has or does not have the power to direct the relevant operations in moments of decision-making, including voting patterns observed at previous meetings of shareholders.

Changes in the ownership interest of the parent company that do not result in a loss of control of a subsidiary are recognized as equity transactions. In such cases, in order to reflect changes in the relative interests in a subsidiary, the Group adjusts the carrying amount of the controlling and non-controlling interests. Any difference between the amount of the adjustment of non-controlling interests and the fair value of consideration paid or received are recognized in the equity and attributed to owners of the parent company.

10.2 Investments in associates

Associates are entities on which the parent company - directly or through its subsidiaries - has significant influence and which are neither subsidiaries nor joint ventures.

Joint venture is a contractual arrangement whereby two or more parties undertake an economic activity subject to a joint control.

A financial year of associates, joint ventures and the parent company is the same. Associates and joint ventures apply accounting policies set out in the Act. Before calculating the share in net assets of any associates and joint ventures, respective adjustments must be made to bring the financial data of those entities to conformity with the IFRS applied by the Group.

The Group's investments in associates and joint ventures are recognized in the consolidated financial statements using the equity method. Under the equity method, investments in an associate or joint venture are initially recognized at cost and subsequently adjusted to reflect the Group's share in the profit or loss and other comprehensive income of the associate or joint venture. If the Group's share in losses of an associate or joint venture exceeds the value of its shares in that entity, the Group discontinues recognizing its share in further losses. Additional losses are recognized only to the extent corresponding to the legal or customary obligations accepted by the Group or payments made on behalf of the associate or joint venture.

An investment in an associate or joint venture is recognized using the equity method from the date on which the entity acquired the status of a joint venture or associate. On the date of making an investment in an associate or joint venture, the amount by which the investment costs exceed the value of the Group's share in the net fair value of the identifiable assets and liabilities of the entity is recognized as goodwill and included in the carrying amount of the investment. The amount by which the Group's share in the net fair value of the identifiable assets and liabilities exceeds the cost of the investment is recognized directly in the financial result in the period in which the investment was made.

When assessing the need for the impairment of the Group's investment in an associate or joint venture, the requirements of IAS 39 are applied. If necessary, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 "Impairment of Assets" as a single asset, by comparing its recoverable amount with its carrying amount. The recognized impairment is a part of the carrying amount of the investment. The reversal of the impairment is recognized in accordance with IAS 36 to the extent corresponding to the subsequent increase in the recoverable amount of the investment.

The Group ceases to apply the equity method on the day when the investment ceases to be its associate or joint venture or when it is classified as held for sale. The difference between the carrying amount of the associate or joint venture as at the date of cessation of the use of the equity method and the fair value of the retained shares and proceeds from the sale of a part of shares in the entity is taken into account when calculating the gain or loss on disposal of the given associate or joint venture.

If the Group reduces the interest in the associate or joint venture, but it still recognizes it using the equity method, it would transfer, to the profit or loss, a portion of the gain or loss previously recognized in other comprehensive income, corresponding to the decrease in the share, if the gain or loss is subject to reclassification to the profit or loss at the moment of disposal of the related assets or liabilities.

10.3 Measurement at fair value

The Group measures derivative instruments and non-financial assets such as investment properties and biological assets at fair value at each balance sheet date.

Fair value is defined as the price that would be received from a sale of an asset or paid to transfer a liability in a transaction carried out on normal conditions of a disposal of an asset between market participants at the measurement date in the current market conditions. The fair value measurement is based on the assumption that the transaction of sale of an asset or transfer of a liability occurs either:

- on the principal market for the asset or liability,
- in the absence of the principal market, on the most advantageous market for the asset or liability.

Both the main and the most advantageous market must be available for the Group.

The fair value of an asset or liability is measured at the assumption that, when pricing the asset or liability, market participants act in their best economic interest.

Measurement of the fair value of a non-financial asset accounts for the market participant's ability to generate economic benefits by making the biggest and best use of the asset or disposal thereof to another market participant who would provide the greatest and best use of the asset.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to determine the fair value, with maximum use of relevant observable inputs and minimal use of unobservable inputs.

All assets and liabilities that are measured at fair value or whose fair value is disclosed in the financial statements are classified in the fair value hierarchy as described below based on the lowest level input that is significant for the fair value measurement treated as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities,
- Level 2 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement as a whole is observable directly or indirectly,
- Level 3 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement as a whole is unobservable,

At each balance sheet date, in respect of assets and liabilities existing at each balance sheet date in its financial statements, the Group assesses whether there were transfers between levels of the hierarchy through a re-evaluation of the classification into different levels, accounting for the significance of the input data from the lowest level, which is essential for measurement to fair value as a whole).

Summary of significant accounting policies relating to the fair value measurement

Independent appraisers are engaged to perform measurement of significant assets such as real estates.

The Group analyzes changes and the main assumptions adopted for the measurement at fair value.

(in thousands of PLN)

For the purposes of disclosing results of the fair value measurement, the Group established classes of assets and liabilities based on the type, characteristics and risks of the various components of assets and liabilities and the level in the fair value hierarchy, as described above.

10.4 Translation of items denominated in foreign currency

Transactions expressed in currencies other than the Polish zloty are translated to PLN using the applicable exchange rate in effect on the transaction date.

At the balance sheet day, any cash assets and liabilities denominated in currencies other than the Polish zloty are translated into Polish zloty using the average exchange rate applicable at the end of the reporting period specified for a given currency by the National Bank of Poland. The resulting exchange differences arising from the translation are recognized respectively as financial revenue (expenses) or, in cases prescribed by the accounting principles (policy), capitalized at the asset value. Non-cash assets and liabilities measured at the historical cost denominated in a foreign currency are recognized at the historical exchange rate of the transaction date. Non-cash assets and liabilities recognized at fair value denominated in a foreign currency are translated at the rate of the date of the fair value re-measurement. Gains or losses arising from translation of non-cash assets and liabilities recognized at fair value are recognized in accordance with the recognition of gain or loss arising from changes in fair value (i.e., either in other comprehensive income or in profit or loss, depending on where the change in the fair value is recognized) .

The following exchange rates were used for balance sheet valuation purposes:

	31 December 2017	*31 December 2016*
USD	3.4813	4.1793
EUR	4.1709	4.4240
UAH	0.1236	0.1542

The functional currency of foreign subsidiaries located in Ukraine is the Ukrainian Hryvnia.

At the balance sheet date, assets and liabilities of the subsidiaries with a functional currency other than PLN are translated into the presentation currency of the Group (PLN) at the exchange rate prevailing at the balance sheet date, and their statements of comprehensive income are translated at the average exchange rate for the given accounting period. The equities are translated as at the date of acquisition of control by the parent company at the average exchange rate announced by the NBP on that day. In case of a new issue of additional shares, for their conversion the average exchange rate is used as announced for the given currency by the NBP on the date of entry of the capital increase in the register. Exchange differences arising from the translation are recognized in other comprehensive income and accumulated in a separate item of the equity. On disposal of an entity, the deferred exchange differences cumulated in the equity and relating to that particular entity are recognized in the profit or loss. The average exchange rates for the respective reporting periods were as follows:

	Year ended 31 December 2017	*Year ended 31 December 2016*
UAH	0.1402	0.1542
EUR	4.2447	4.3757

10.5 Tangible fixed assets

Tangible fixed assets are stated at cost of acquisition / production less accumulated depreciation and asset impairment charges. The initial value of fixed assets includes their purchase price plus any costs attributable directly to the acquisition and adaptation of an asset to a condition appropriate for use. The cost includes the cost of replacing parts of machinery and equipment, when incurred, if the recognition criteria are met. Any costs incurred after the asset is put into use, such as costs of maintenance and repair, are charged to profit or loss, when incurred.

(in thousands of PLN)

Fixed assets at the time of their purchase are divided into components of significant value to which separate useful lives can be assigned. The costs of major repairs are also a component.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset, to which the following rates correspond:

Type group	**Rate**
• buildings	from 2.5% to 10%
• machinery and equipment	from 4.5% to 30%
• vehicles	from 14% to 40 %
• other tangible fixed assets	from 10% to 20 %

The residual value, useful life and depreciation method are reviewed annually.

An item of the tangible assets may be removed from the balance sheet if it is sold or if the company does not expect any economic benefits arising from the continuing use of the asset. Any gain or loss arising from derecognition of an asset from the balance sheet (calculated as the difference between the possible net proceeds from disposal and the carrying amount of the asset) is recognized in profit or loss in the period in which such a derecognition is made.

Investments in progress relate to fixed assets under construction or assembly and are recognized at the purchase price or production cost less any impairment charges. The investments in progress are not depreciated until finished and put to use.

10.6 Business combinations and acquisitions

For all combinations under joint control, the Company applies the acquisition method in accordance with IFRS 3.

The value of individual components is measured at fair value. The excess of the purchase price over the fair value is the goodwill.

10.7 Biological assets

Biological assets consists of livestock and cereals. The Group has both consumption biological assets, which include cereals an livestock for meat production, as well as production biological assets, which is the livestock kept for breeding purposes.

A biological asset is measured at the moment of initial recognition and as at each balance sheet day at the fair value net of the cost of sales.

In a situation where the fair value cannot be determined, an asset is measured at the purchase price or cost of production net of so-far amortization and accumulated asset impairment charges. Biological assets are farm animals (pigs) and crops. Agricultural activity means management by an entity of the biological transformation of assets with the purpose of obtaining agricultural products or other biological assets held for sale. A collection or acquisition is the moment of separation of agricultural products (agricultural raw materials) from a biological asset or of cessation of a biological asset's life processes.

10.8 Investment real properties

Initial recognition of investment property is made at cost, accounting for the costs of transaction. The carrying value of investment property includes the cost of replacing a component of an investment property at the time it is incurred, if the recognition criteria are met, and does not include the cost of maintenance of the property.

After the initial recognition, investment properties are stated at their fair value. Gains or losses arising from changes in the fair value of investment property are recognized in profit or loss in the period in which they arise, accounting for the related impact on the deferred tax.

Investment properties are derecognised from the balance sheet when disposed or permanently withdrawn from use, when there are no future economic benefits expected from its disposal. Any gains or losses arising from derecognition of investment property from the balance sheet are recognized in profit or loss in the period in which they were derecognised.

Assets are transferred to investment property only when there is a change in use evidenced by the cessation of the asset's use by the owner or by conclusion of an operating lease contract. If an asset used by the owner - the Group - becomes an investment property, the Group applies the principles described in section *Tangible fixed assets* up to the date of changing the use of the property.

If the owner-occupied property becomes an investment property that will be recognized at fair value, the entity applies IAS 16 until the change of use of that property.

To the date on which the owner-occupied property becomes an investment property recognized at fair value, the entity depreciates the property and makes any revaluation write-offs for impairment losses.

Specified as at that day, the difference between the carrying value of the property as determined in accordance with IAS 16 and its fair value is treated in the same way as revaluation in accordance with IAS 16. In other words:

- The resulting decrease in the carrying amount of the property is recognized in the profit or loss. However, up to the amount of the revaluation surplus for that property, the decrease is recognized in other comprehensive income and reduces the surplus from revaluation in the equity,
- The resulting increase in the carrying amount of the property:
    - to the amount in which the increase is a reversal of the previous impairment loss on the value of the property - the increase is recognized in the profit or loss. The amount recognized in the result cannot exceed the amount that, when added, would make the carrying value of the property reach an amount that would have been determined (net of depreciation) if there had not been any recognition of loss on impairment,
    - The remainder of the increase is recognized in other comprehensive income and increases the revaluation surplus in equity. On subsequent disposal of investment property, the revaluation surplus included in the equity may be transferred to retained earnings. Transfer from the revalued equity to retained earnings is not made through the result.

10.9 Fixed assets held for sale

Fixed assets and their groups held to sale are deemed as held for sale when their carrying amount will be recovered rather as a result of their sale than through continuing use. This condition can be met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Classification of an asset as held for sale provides for the management's intention to complete the sale within one year from the date of classification. Fixed assets classified as held for sale are measured at the lower of the two values:

the carrying amount or the fair value, less the costs of sale.

If the Group wants to make a sale transaction which would result in losing control of its subsidiary, all assets and liabilities of that subsidiary are classified as held for sale, regardless of whether the Group will retain any non-controlling shares after this transaction.

If the Group is obliged to implement the sales plan, involving the sale of an investment in a joint venture or an associate, or a part of such an investment, an investment or a part of it destined for sale are classified as held for sale after meeting the above criteria, and the Group ceases to apply the equity method to settle a part of the investment classified as held for sale. The remainder of the investment in the associate or joint venture non-classified as held for sale is still accounted for by the equity method. The Group ceases to apply the equity method at the time of sale, if the sale transaction results in losing a significant control over an associate or joint venture.

After the transaction of sale, the Group settles the retained interest in accordance with IAS 39 unless these shares allow further classification of this entity as an associate or a joint venture; in such a case, the Group continues to apply the equity method.

10.10 Intangible assets

Intangible assets acquired separately or constructed (if they meet the recognition criteria for development costs) are measured on initial recognition at their purchase price or cost of production. The purchase price of intangible assets acquired in a transaction of a merger of entities is equal to their fair value as at the date of the merger. After the initial recognition, intangible assets are recognized at their purchase price or cost of production less of accumulated amortization and impairment losses. Expenditure incurred on intangible assets generated internally, excluding activated expenditures incurred for development works, are not activated and are recognized in the period in which they are incurred.

The Group determines whether the useful life of intangible assets is definite or indefinite. Intangible assets with definite useful lives are amortized over the useful lives and tested for impairment whenever there is an indication of impairment. The amortization period and method for intangible assets with definite useful lives are reviewed at least at each financial year end. Changes in the expected useful life or the expected method of consumption of economic benefits embodied in the asset are accounted for by changing the amortization period or method, respectively, and treated as changes in accounting estimates. The amortization expense on intangible assets with definite useful lives is recognized in profit or loss and charged to the category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives and those that are not in use are subject to an annual impairment test, with respect to individual assets or at the level of the cash generating unit.

Useful lives are reviewed each year.

Research and development expenses

Research and development expenses are recognized in profit or loss, as incurred. Expenditures for development work performed within a given project are transferred to the next period, if it can be concluded that they will be recovered in the future. After the initial recognition of expenditures on development, the historical cost model is applied and it requires that assets are carried at purchase price/cost of production less accumulated amortization and accumulated impairment losses. Capitalized expenditures are amortized over the expected period of obtaining revenue from the sale of the given project.

A summary of the policies applied to the Group's intangible assets is as follows:

<table>
<tr><th></th><th>Useful lives</th><th>Depreciation method used</th><th>Impairment test</th></tr>
<tr><td>Patents and licenses</td><td>For patents and licenses used on the basis of a contract for a fixed term, that fixed term is assumed, taking into account the additional period for which the use can be extended.</td><td>Depreciated over the period of the contract - using the straight-line method.</td><td>For assets with a definite period of depreciation - ongoing assessment of whether there is any indication of impairment.</td></tr>
<tr><td>Computer software</td><td>5 years</td><td rowspan="4">Straight-line method</td><td rowspan="4">Annual assessment whether there is any indication of impairment.</td></tr>
<tr><td>Trademarks</td><td>20 years</td></tr>
<tr><td>Relations with customers</td><td>10 years</td></tr>
<tr><td>Recipes</td><td>5 years</td></tr>
</table>

Gains or losses arising from derecognition of intangible asset from the balance sheet are measured as the difference between net proceeds from the disposal and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognised.

10.10.1 Goodwill

Goodwill on acquisition of an entity is initially measured at purchase price being the excess of

- the sum of:
  - the consideration transferred,
  - the amount of any non-controlling shares in the acquiree, and
  - in case of a merger achieved in stages, of the fair value at the date of acquisition of the share capital of the acquiree, that was previously held by the acquirer,
- over the net fair value as at the date of acquisition of identifiable assets acquired and liabilities assumed.

After the initial recognition, goodwill is measured at purchase price less any accumulated impairment losses. The impairment test is performed annually or more frequently if there are indications of impairment. Goodwill is not depreciated.

As at the date of acquisition, the acquired goodwill is allocated to each of the cash-generating units that may benefit from the synergies of the merger. Each unit or group of units to which the goodwill has been allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and
- is not larger than one operating segment determined in accordance with IFRS 8 *Operating Segments*.

An impairment loss is determined by assessing the recoverable amount of the cash-generating unit to which the given goodwill was allocated. If the recoverable value of the cash-generating unit is less than its carrying amount, the Company recognizes an impairment loss. Where the goodwill is a part of the cash-generating unit and there is a sale of a part of a business within that unit, when determining the gain or loss on disposal of the goodwill related to the sold business is included in its carrying value. In such circumstances, the sold goodwill is determined based on the relative value of the sold business and the remaining part of the cash-generating unit.

10.11 Leasing

The Group as lessee

Finance lease contracts, which transfer substantially all the risks and rewards incidental to ownership of the leased item onto the Group, are recognized in the statement of financial position at the commencement of the lease at the lower of the two values: fair value of the leased fixed assets or the present value of minimum lease payments. The lease payments are divided between the financial costs and the decrease of the liabilities balance in such a way that will allow obtaining a constant interest rate on the liability left for repayment. Finance costs are recognized in profit or loss, unless the capitalization requirements are met.

Fixed assets used under finance lease contracts are depreciated over the shorter of the two periods: estimated useful life of the asset or the lease term.

Contingent lease payments are recognized as an expense in the period in which they are due.

10.12 Impairment of non-financial tangible fixed assets

As at each balance sheet date, the Group assesses whether there is any indication that the impairment of any of its non-financial fixed assets might have occurred. If any such indication exists, or when it is necessary to perform an annual test to check whether the asset is impaired, the Group estimates the recoverable amount of an asset or cash-generating unit to which the asset belongs.

The recoverable amount of an asset or cash-generating unit corresponds to the fair value less costs incurred for preparing the asset for sale or, as appropriate, of the cash-generating unit, or its value in use, depending on which one is higher. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those generated by other assets or groups of assets. If the carrying amount of an asset exceeds its recoverable amount, an impairment takes place and a write-down is made to the recoverable value. In assessing value in use, the projected cash flows are discounted to their present value using a discount rate before accounting for any effects of tax that reflects current market assessment of the time value of money and the risks specific to the asset. Write-downs for impairment of assets used in continuing operations are recognized in these expense categories that are consistent with the function of the asset for which impairment has been identified.

As at each balance sheet date, the Group assesses whether there is any indication that an impairment loss of value that was recognized in prior periods in respect of the asset is no longer necessary or should be reduced. If such an indication exists, the Group estimates the recoverable amount of the asset. A previously recognized impairment loss is reversed if, and only if since the last impairment loss there was a change in the estimates used to determine the recoverable amount of the asset. In this case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined (upon accounting for depreciation) if in previous years an impairment loss was not recognized in respect of that asset. A reversal of an impairment loss for an asset is recognized immediately as income. After reversal of the impairment loss, in subsequent periods the amortization charge for the asset is adjusted in a manner that allows, over the remaining useful life of that asset, to make a systematic write-down of its revised carrying amount, less of its residual value.

10.13 Costs of external financing

External financing costs are capitalized as part of the cost of production of fixed assets. External financing costs include interest calculated using the effective interest method, finance charges in respect of finance lease contracts and exchange differences arising from external financing to the extent corresponding to the interest cost adjustment.

10.14 Financial assets

Financial assets are divided into the following categories:

- Financial assets held to maturity,
- Financial assets measured at fair value through the profit or loss,
- Loans and receivables,
- Financial assets available for sale,

Financial assets held to maturity are any quoted in an active market financial assets that are non-derivative, with determined or determinable payments and fixed maturities that the Group intends and has the ability to hold up to that time, other than those:

- designated upon initial recognition as measured at fair value through the profit or loss,
- designated as available for sale,
- complying with the definition of borrowings and receivables.

Financial assets held to maturity are measured at amortized cost using the effective interest method. Financial assets held to maturity are classified as non-current assets if their maturity exceeds 12 months from the balance sheet date.

A financial asset measured at fair value through the profit or loss is an asset that meets one of the following conditions:

a) is classified as held for trading. Financial assets are classified as held for trading if they are:
   - acquired principally for the purpose of selling in a short term,
   - a part of a portfolio of identified financial instruments that are managed together and for which there is a probability of profit in a short term,
   - derivatives, except for derivatives that are part of hedge accounting and financial guarantee contracts,

b) were - in accordance with IAS 39 - classified into this category upon initial recognition.

Financial assets measured at fair value through the profit or loss are measured at fair value taking into account their market value as at the balance sheet date less any costs of sales transaction. Changes in the value of these financial instruments are recognized in the profit and loss statement as financial income or expenses. If a contract contains one or more embedded derivatives, the whole contract can be classified as financial assets measured at fair value through the profit or loss. It does not apply to cases where the embedded derivative does not significantly affect the cash flows under a contract or it is clear without any or upon a superficial analysis that, if a similar hybrid instrument had been first considered, separation of the embedded derivative would be prohibited. Financial assets may be qualified at the initial recognition to a category of assets measured at fair value through the profit or loss if the following criteria are met: (i) such a qualification eliminates or significantly reduces inconsistency in measurement or recognition (accounting mismatch); or (ii) the assets are a part of a group of financial assets that are managed and evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial assets contain embedded derivatives that should be recognized separately.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, unless their maturities are greater than 12 months after the balance sheet date. Loans granted and receivables with maturities greater than 12 months after the balance sheet date are classified as current assets.

Financial assets available-for-sale are non-derivative financial assets that have been classified as available for sale or not belonging to any of the three preceding categories. Financial assets available-for-sale are recognized at fair value increased by transaction costs that can be directly attributable to the acquisition or issue of the financial asset. In the absence of a quoted price in an active market and the inability to reliably determine their fair value using alternative methods, financial assets available-for-sale are measured at the purchase price adjusted for impairment losses. A positive and negative difference between the fair value of assets available-for-sale (if there is a market price determined on an active market or whose fair value can be determined by any other reliable method) and their purchase price, net of deferred tax, is recognized in the other comprehensive income. The decrease in value of assets available-for-sale due to impairment is recognized as a financial expense.

Purchases and sales of financial assets are recognized as at the transaction date. Upon initial recognition, financial assets are measured at fair value, in case of an asset not qualified as measurable at fair value through the profit or loss, increased by transaction costs that are directly attributable to the acquisition.

Financial assets are derecognised from the balance sheet if the Group loses control over the contractual rights that comprise the given financial instrument; this usually occurs when the instrument is sold or when all the cash flows attributable to the instrument are transferred to an independent third party.

10.15 Impairment of financial assets

As at each balance sheet date, the Group assesses whether there is objective evidence indicating to an impairment of financial asset or a group of financial assets.

10.15.1 Assets carried at amortized cost

If there is objective evidence of an impairment loss on loans and receivables carried at amortized cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the current value of estimated future cash flows (excluding future losses due to irrecoverable receivables that have not been incurred) discounted at the original (i.e. determined at the initial recognition) effective interest rate. The carrying amount of the asset is reduced through the use of the allowance account. The amount of the loss is recognized in the profit or loss.

The Group first assesses whether objective evidence exists of an impairment of individual financial assets that are individually significant, as well as evidence of impairment of financial assets that are not individually significant. If the analysis shows that there are no objective evidence of impairment of an individually assessed financial asset, regardless of whether it is a significant asset or not, the Group includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses their impairment. Assets that are individually assessed for impairment and for which an impairment loss is recognized or for which it was considered that the current write-off will not change, are not taken into account at the total assessment of the group of assets in respect of their impairment.

If, in a subsequent period, an impairment loss decreased and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed.

Any subsequent reversal of an impairment loss is recognized in the profit or loss to the extent to which, on the reversal day, the carrying amount of the asset does not exceed its amortized cost.

10.15.2 Financial assets carried at cost

If there is objective evidence that an impairment loss occurred on an unquoted equity instrument that is not carried at fair value because its fair value can not be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, then the amount of an impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

10.15.3 Financial assets available for sale

If there is objective evidence of an impairment of financial assets available for sale, then the amount being the difference between the purchase price of that asset (less any principal amount repayment and amortization) and its current fair value, less any impairment losses on that asset previously recognized in the profit or loss is removed from the equity and recognized in the profit or loss. Reversals of impairment losses on equity instruments classified as available for sale cannot be recognized in the profit or loss. If in a subsequent period, the fair value of a debt instrument available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the profit or loss, the amount of the reversed impairment loss is recognized in the profit or loss.

10.16 Derivative financial instruments and hedging

The derivative instruments used by the Group to hedge the risk related to changes in interest rates and foreign exchange rates are mainly the interest rate swap. Such derivative financial instruments are measured at fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their value is negative.

Gains and losses arising from changes in fair value of derivatives that do not qualify for hedge accounting are recognized directly in the profit or loss of the financial year.

The fair value of forward foreign exchange contracts is determined by reference to current forward rates present in contracts with similar maturity profiles. The fair value of interest rate swaps is determined based on a valuation model that takes into account any observable market data, including in particular the current term interest rates.

In hedge accounting, hedges are classified as:

- a fair value hedge that hedges the exposure to changes in the fair value of a recognized asset or liability, or
- a cash flow hedge that hedges the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a forecast transaction, or
- a hedge of interests in net assets in a foreign entity.

A currency risk hedge of a reasonably anticipated future liability is accounted for as a cash flow hedge.

Upon recognition of the hedge, the Group formally designates and documents the hedging relationship, as well as its risk management objective and strategy for recognizing the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and the manner of assessing of hedging instrument effectiveness in offsetting the exposure to changes in the fair value of the hedged item or cash flows attributable to the hedged risk. It is expected that the hedge will be highly effective in offsetting changes in the fair value or cash flows attributable to the hedged risk. Hedge effectiveness is assessed on an ongoing basis to determine whether it is highly effective throughout the financial reporting periods for which the hedge was established.

10.16.1 Fair value hedge

Fair value hedge is a hedge against changes in the fair value of a recognized asset or liability or an unrecognized reasonably anticipated future liability, or an identified portion of such an asset, liability or a reasonably anticipated future liability, that can be attributable to a particular type of risk and could affect the profit or loss. In case of fair value hedges, the carrying amount of the hedged item is adjusted for gains and/or losses arising from changes in the fair value attributable to the hedged risk, the hedging instrument is measured at fair value, and gains and losses on the hedging instrument and the hedged item are recognized in the profit or loss.

If an unrecognized reasonably anticipated future liability is designated as a hedged item, the subsequent cumulative changes in the fair value of the reasonably anticipated future liability attributable to the hedged risk is recognized as an asset or liability with the corresponding gain or loss being recognized in the profit or loss. Changes in the fair value of the hedging instrument are recognized in the profit or loss.

The Group discontinues hedge accounting if the hedging instrument expires or is sold, terminated or exercised, if the hedge no longer meets the criteria for hedge accounting or if the Group revokes the hedging relationship. Any adjustment to the carrying value of the hedged financial instrument to which the depreciated cost method is used, is subject to depreciation and the write-downs are recognized in the profit or loss. Depreciation may begin as soon as the adjustment is made, but no later than when the hedged item ceases to be adjusted for changes in fair value attributable to the hedged risk.

10.16.2 Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and that could affect the profit or loss. A portion of the gain or loss on the hedging instrument that is an effective hedge is recognized in the other comprehensive incomes and the ineffective portion is recognized in the profit or loss.

If a hedged planned transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized in the other comprehensive incomes and accumulated in the equity are transferred to the profit and loss account in the same period or periods during which the asset acquired or liability assumed affects the profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a forecast transaction concerning a non-financial asset or non-financial liability becomes a reasonably anticipated liability for which a fair value hedge will be applied, then the profits or losses that were recognized in the other comprehensive income are reclassified from the equity to the profit or loss in the same period or periods during which the non-financial asset acquired or an non-financial liability assumed affects the profit or loss.

Gains or losses arising from changes in fair value of derivatives that do not meet the conditions for the application of hedge accounting are recognized immediately in the net profit or loss for the current period.

The Group discontinues hedge accounting when the hedging instrument expires or is sold, its use is ended or completed, or when a hedge no longer meets the criteria under which the hedge accounting may be used to it. In this case, the cumulative gain or loss on the hedging instrument that were recognized in the other comprehensive income and accumulated in the equity, is still recognized in the equity until the forecast transaction occurs. If the Group no longer expects the forecast transaction to occur, the cumulative net gain or loss accumulated in the equity is recognized in the net profit or loss for the current period.

10.16.3 Hedges of interests in net assets in a foreign entity

A hedge of interests in net assets in a foreign entity, including a hedge of a monetary item, considered a part of the interest in the net assets, is recognized similarly to cash flow hedges. The gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in the other comprehensive income and the gain or loss relating to the ineffective portion of the hedge - are recognized in the profit or loss. On disposal of a foreign entity, the amount of gain or loss previously recognized in the other comprehensive income is reclassified from the equity to the profit or loss as an adjustment arising from reclassification.

10.17 Inventories

Inventories are measured at the lower of the two values: the purchase price/cost of production or the realizable net selling price.

The costs incurred in bringing the inventories to their present location and condition - both for the current and previous year - are accounted for as follows:

Materials	• at the purchase price determined by the "first-in, first-out" method
Finished goods and work in progress	• cost of direct materials and labor and an appropriate proportion of indirect manufacturing overheads based on normal use of operating capacity, excluding costs of external financing
Merchandise	• at the purchase price determined by "first-in, first-out" method.

The realizable net selling price is the estimated selling price in the ordinary course of business, less the costs of finishing and the estimated costs necessary to make the sale effective.

10.18 Trading receivables and other receivables

Trading receivables are recognized and carried at the original invoice amounts less an allowance for doubtful receivables. Allowance for doubtful debts is made when collection of the full amount receivable is no longer probable.

Where the effect of the value of money in time is material, the value of receivables is determined by discounting the expected future cash flows to their present value using a discount rate that reflects the current market assessments of the value of money in time. If the discounting method is used, the increase in receivables due to the passage of time is recognized as financial income.

The other receivables include, in particular, prepayments for future purchases of tangible and intangible fixed assets and inventories. Prepayments are presented in accordance with the nature of the assets to which they relate - as fixed assets or current assets, respectively. As a non-monetary assets, prepayments are not discounted.

Budget receivables are presented under the other non-financial assets, with the exception of corporate income tax receivable, which constitute a separate item in the balance sheet.

10.19 Liquid assets and liquid assets equivalents

Liquid assets and short-term deposits presented in the balance sheet comprise cash at bank and cash in hand and short-term deposits with an original maturity of up to three months.

10.20 Interest-bearing loans, borrowings and debt securities

Upon initial recognition, all bank credits, loans and debt securities are measured at fair value, net of transaction costs associated with obtaining the credit or loan.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method.

The amortized cost includes the costs associated with obtaining the loan and any discount or premium obtained in relation with the liability.

Revenues and expenses are recognized in the profit or loss when the liabilities are derecognised from the balance sheet as well as through the settlement using the effective interest rate method.

10.21 Trading payables and other liabilities

Current trading payables are recognized at the amount payable.

Financial liabilities at fair value through the profit or loss include financial liabilities held for trading and financial liabilities initially classified to categories measured at fair value through the profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near future. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial liabilities may be qualified at the initial recognition to a category of assets measured at fair value through the profit or loss if the following criteria are met: (i) such a qualification eliminates or significantly reduces the inconsistent treatment when both the measurement and the principles of recognizing losses or profits are subject to other regulations, or (ii) the liabilities are part of a group of financial liabilities which are managed and assessed on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liabilities contain embedded derivatives that should be recognized separately.

Financial liabilities measured at fair value through the profit or loss are measured at fair value taking into account their market value as at the balance sheet date less any costs of sales transaction. Changes in the fair value of these instruments are recognized in the profit or loss as financial expenses or income.

The other financial liabilities that are not financial instruments measured at fair value through the profit or loss are measured at amortized cost using the effective interest method.

The Group removes a financial liability from its balance sheet when the liability is extinguished - i.e. when the obligation specified in the contract has been completed, canceled or has expired. Replacement of the existing debt instrument by an instrument with substantially different terms made between the same entities is presented by the Group as expiration of the original financial liability and recognition of a new liability. Similarly significant modifications of the terms of contract for the existing financial liability are recognized by the Group as expiration of the original and recognition of a new liability. The resulting differences in the respective carrying amounts, as arising from the replacement, are recognized in the profit or loss.

The other non-financial liabilities include in particular liabilities payable to the tax office and liabilities arising from advances received, which will be settled by a delivery of goods, services or fixed assets. The other non-financial liabilities are recognized at the amount payable.

In the balance sheet, the Group presents liabilities from purchase of land in the current value of the liability.

10.22 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that the fulfillment of this obligation will cause an outflow of economic benefits and a reliable estimate can be made of the amount of the obligation. If the Group expects that the costs of the provision will be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when it is virtually certain that reimbursement will be received. The expense relating to any provision is presented in the profit and loss account net of any reimbursements.

Where the effect of the value of money in time is material, the value of the provision is determined by discounting the expected future cash flows to their present value using a discount rate that reflects the current market assessments of the value of money in time and the risks associated with the obligation. If the discounting method is used, the increase in provisions due to the passage of time is recognized as financial expenses.

10.23 Retirement severance payments

Under the corporate remuneration systems, employees of the Group are entitled to retirement severance payments. Retirement severance payments are paid once, at retirement. The amount of retirement severance payments depends on the length of service and the average salary of the employee. The Group recognizes a provision for future retirement severance payments payable in order to allocate costs to the periods to which they relate. According to IAS 19, retirement severance payments are classified as post-employment benefits. The present value of these liabilities is calculated by the Group as at each balance sheet date. Any accrued liabilities are equal to discounted payments, which will be made in the future, taking into account any staff turnover, and relate to the period up to the balance sheet date. Demographic information and information on the staff turnover is based on historical data.

Remeasurement of liabilities for employee benefits relating to defined benefit plans covering actuarial gains and losses is recognized in the other comprehensive income and is not subject to subsequent reclassification to the profit or loss.

The Group recognizes the following changes in the net liabilities related to the defined benefits within the own cost of sales, general and administrative expenses or selling expenses, respectively, which include:

- costs of employment (including, inter alia, the cost of current employment, the cost of past employment)
- net interest on the net liabilities related to the defined benefit plans.

10.24 Revenues

Revenues are recognized to the extent that it is probable that the Group achieves economic benefits associated with the given transaction and when the amount of income can be measured reliably. Revenues are recognized at the fair value of the consideration received or receivable, net of value added tax (VAT) and discounts. At recognizing the revenue, the criteria presented below must also be complied with.

10.24.1 Sales of merchandise and products

Revenues are recognized if the significant risks and rewards arising from ownership of the goods and products have passed to the buyer and when the amount of revenue can be measured reliably.

10.24.2 Provision of services

Revenues from services are recognized after the service provision. The Group has no long-term contracts, whose revenues are estimated based on the stage of their completion.

10.24.3 Interest

Interest revenues are recognized as they accrue (using the effective interest rate which is the rate that exactly discounts future cash receipts through the expected life of the financial instrument) in relation to the net carrying amount of the given financial asset.

10.24.4 Dividends

Dividends are recognized when the shareholders' right to receive them is determined.

10.24.5 Revenues from rental (operating lease)

Revenues from investment property rental is recognized on a straight-line basis over the rental duration with respect to open contracts.

10.24.6 Government subsidies

If there is reasonable surety that the subsidy will be received and will comply with the relevant conditions, government subsidies are recognized at their fair value.

Where a subsidy relates to an expense item, it is recognized as income in a manner commensurate with the costs that the subsidy is intended to compensate. Where a subsidy relates to an asset, its fair value is recognized in the deferred revenues and then gradually, by equal annual write-downs recognized in the profit or loss over the estimated useful life of the asset.

10.25 Taxes

10.25.1 Current tax

Payables and receivables from current tax for the current and prior periods are measured at the amounts expected to be paid to the tax authorities (recoverable from the tax authorities) using tax rates and tax laws that were legally or actually in force as at the balance sheet date.

10.25.2 Deferred tax

For financial reporting purposes, deferred tax is calculated using the liability method in respect of temporary differences as at the balance sheet date between the tax value of the assets and liabilities and their carrying amounts in the financial statements.

Provision for deferred tax is recognized for all taxable temporary differences:

- unless the provision for deferred income tax arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction other than a merger of entities and, at the time of the transaction, had influence neither on the profit or loss nor on taxable profit or tax loss, and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures - except where the timing of the reversal of the temporary differences can be controlled by the investor and it is probable that in the foreseeable future the temporary differences will not reverse.

Assets under the deferred tax are recognized for all deductible temporary differences and unused tax credits and unused tax losses carried forward to subsequent years, in the amount that it is probable that it will be taxable income that will use the above differences, assets and losses:

- except where assets under the deferred tax relating to the deductible temporary difference arise from the initial recognition of an asset or liability in a transaction other than a merger of entities and, at the time of conclusion have influence neither on the profit or loss nor on the taxable profit or tax loss, and
- in case of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, an asset under the deferred tax is recognized in the balance sheet only to the extent that it is probable that in the foreseeable future the above temporary differences will be reversed and the profits will be taxable income, which will allow deduction of deductible temporary differences.

The balance value of an asset under the deferred income tax is verified on each balance-sheet day and is subject to applicable decrease by as much as it stopped to be likely to yield the taxable income that is sufficient for covering the asset under the deferred income tax in part or in whole. The unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent reflecting probability of achieving taxable income in the future, which will allow the asset to be recovered.

Deferred tax assets and provisions for deferred income tax are measured using the tax rates that are expected to apply in the period when the asset is realized or the provision canceled, based on tax rates (and tax laws) in effect as at the balance sheet date or those whose future application is certain as at the balance sheet date.

Income tax relating to items recognized outside the profit or loss is recognized outside the profit or loss: in the other comprehensive income - relating to items recognized in the other comprehensive income, or directly in the equity - relating to items recognized directly in the equity.

The Group offsets deferred income tax assets with deferred tax provisions if, and only if it has a legally enforceable right to set off payables with receivables in respect of the current tax, and the deferred income taxes relate to the same taxable entity and the same tax authority.

10.25.3 Value Added Tax

Revenues, expenses, assets and liabilities are recognized net of the amount of the Value Added Tax, with the exception of:

- a situation when the VAT paid on the purchase of assets or services is not recoverable from the tax authorities; then it is recognized as a part of the purchase price of an asset or as an expense, respectively, and
- receivables and payables that are stated accounting for the amount of the Value Added Tax.

The net amount of VAT recoverable from, or payable to, the taxation authority is recognized in the statement of financial position as a part of payables or receivables.

10.26 Net profit per share

Net profit per share for each period is calculated by dividing the net profit for the period by the weighted average number of shares in the given reporting period.

11 Operating segments

The breakdown by segments was compiled based on types of products and services. According to this division, all companies belonging to the GOBARTO Group of Companies have been assigned to five segments: raw meat and cured meat products, pigs, cereals, processing and other operations.

Raw Meat and Cured Meat Products Segment

- **GOBARTO S.A.** (up to 7 October 2016 under the business name of PKM DUDA S.A.) is the parent company of the GOBARTO S.A. Group. The Company operates in the pork meat sector. Its main operations concentrate on purchasing, slaughtering and cutting meat that in numerous assortments gets to recipients all over Poland and to customers in over a dozen of European and Asian countries. The production & trading activity of the Company is complemented with service operations in respect of freezing, storing and transporting food products that require specialist cooling equipment. The production plant is located in Grąbkowo (Wielkopolskie Province) and has annual slaughtering output of about 1 million animals.
  As a part of the Raw Meat and Cured Meat Products segment, the Company is a consequent developer of the distribution activity and it is one of the largest Polish vendors of raw meat and cured meat products for the traditional retail sale. In 2017, a modern Distribution Center in Gdansk was added to those existing and located in Warsaw, Poznań, Cracow, Katowice, Radom and Lublin.
- **Gobarto Dziczyzna Sp. z o.o.** is involved in purchasing and processing of game and in selling the meat all over Poland and on the EU markets. The main game processing facility is located in Karolinki in the Wielkopolska Province. The plant ensures appropriate sanitary and veterinarian conditions in keeping with the market standards, and the procedures applied guarantee high and continuous quality of products.
- **NetBrokers Polska Sp. z o.o. SK –** the trading operations have been the company's leading activity since 2003 – as an importer NetBrokers has become a leading supplier of fresh pork onto the Polish market for cutting plants and processing plants as well as of fresh minced meat for the needs of the retail market. Additionally, it has been the largest in Poland internet platform directed at companies operating on the agricultural & food market, whose mission is to supply industry-specific information and offering an application that enables placing trading offers for selling and purchasing goods.
- **Bekpol Sp. z o.o.** – is a company dealing with wholesale of meat, cured meat products and poultry. It has been operating in the market since 1993, and it has been a member of the GOBARTO Group since January 2017.
- **Meat-Pac Sp. z o.o.** – the company's leading business is the cutting of poultry meat.
- **Jama Sp. z o.o.** is a company dealing with wholesale of meat, cured meat products and poultry. It has been a member of the Gobarto Group of Companies since November 2017.

PROCESSING segment

This segment is composed of the Silesia Group of Companies. It has been within the structures of the Gobarto Group of Companies since December 2017. It is composed of the following companies:

- **Zakłady Mięsne Silesia S.A.** – one of the largest companies on the Polish meat processing market involved in the cutting and packaging of pork, poultry and beef, the production of convenience meals and pet food. The company conducts sales and distribution based on commercial chains, a wholesale chain, purchasing groups and exports.
- **Silesia Pet Foods sp. z o.o.** – the company's operations are based on the production and sale of ready pet food.
- **Vital Food Silesia sp. z o.o.** – the company is involved in the production and sale of convenience dishes and meals.
- **Silesia Logistics sp. z o.o.** – the company's operations cover the provision of transport services.
- **Samba sp. z o.o.** – the company's activity is based on retail sales of meat and meat products.
- **Panteon S.A.** – activities of head offices and holdings, except for financial holdings.
- **Centrum Dystrybucji Imperium sp. z o.o.** – the company is involved in the processing, preservation and sale of poultry meat.
- **Meat Market sp. z o.o.** – the company's activity is based on retail sales of meat and meat products.

Swine Segment

- **Agro Bieganów Sp. z o.o.** – is engaged in agricultural production, breeding of meat and breeding cattle and breeding of pigs in a full production cycle.
- **Agro Gobarto Sp. z o.o.** – breeds pigs in the complete production cycle and supplies piglets to satisfy the needs of other companies in the Group.
- **Bioenergia Sp. z o.o.** – currently the company is involved in fattening of pigs.
- **Agroferm Sp. z o.o.** – the company is involved in breeding of pigs and plant production.
- **Gobarto Hodowca Sp. z o.o.** – the company is involved in the organization of the development and sales of pigs; currently responsible for the Gobarto 500 program supporting the development of pigs.
- **Pork Pro Sp. z o.o. S.K.** – (in liquidation since 2018) operates as a support for GOBARTO S.A. in respect of provision of raw materials for production; it is engaged in purchasing piglets and pigs and in meat trading. It has ceased its operations for now.
- **PPH Ferma-Pol Sp. z o.o.** – the company is involved in breeding of pigs and plant production.

Cereals Segment

- **Rolpol Sp. z o.o. and Agroprof Sp. z o.o.** – are involved in the plant production of cereals and rapeseed.
- **Agro Net Sp. z o.o.** – it is involved in plant production and has a cereals elevator.
- **Plon Sp. z o.o.** – it is involved in organizing the sale of cereals; the production group ceased its operations on 17 March 2017.
- **Brassica Sp. z o.o.** – it is involved in organizing the sale of oleaginous plants; the production group ceased its operations on 28 October 2015.

Other Operations Segment

- **Tigra Trans Sp. z o.o.** – a company established in order to manage Tigra Trans Sp. z o.o. S.K.
- **Tigra Trans Sp. z o.o. S.K.** – a company that provides transportation services.
- **Bio Gamma Sp. z o.o.** – has been set up for carrying out businesses using renewable sources of energy. In 2017, it did not carry out any operating activity.
- **Bio Delta Sp. z o.o.** – has been set up for carrying out businesses using renewable sources of energy. In 2017, it did not carry out any operating activity.
- **Polskie Biogazownie „Energy-Zalesie" Sp. z o.o.** – has been set up for carrying out businesses using renewable sources of energy.
- **Makton Nieruchomości Sp. z o.o.** – a special purpose vehicle established to sell real estates not related to the core business in the distribution segment.
- **Insignia Management Sp. z o.o.** – a company engaged in intermediation in purchases for companies of the Group.
- **NetBrokers Polska Sp. z o.o.** – a company established in order to manage NetBrokers Polska sp. z o.o. S.K.
- **Pork Pro Polska Sp. z o.o.** – a company established in order to manage Pork Pro Polska Sp. z o.o. S.K.; it has ceased its operations for now.
- **Rosan Agro Sp. z o. o.** – the parent company for Ukraine-based companies of the Group. It is involved in producing slaughter pork animals.
- **PF "MK" Rosana** – an entity included in the Rosana Group in Ukraine that is involved in slaughtering, cutting and production of cured meat products and in selling raw meat and cured meat products under Rosana's own brand (Premium). The sales area covers mainly western Ukraine.
- **ROSANA Trading House** – an entity included in the Rosana Group in Ukraine that is involved in the sale and distribution of cured meat products. As of 31 December 2017, the company had 13 own stores.
- **ROSANA PLUS Trading House** – an entity included in the Rosana Group that has been established to sell the group's products; its structures are being developed.
- **Pieprzyk Rogatyń Sp. z o.o.** – the company did not run any operating activities in 2017.
- **PP Świniokompleks Zoria –** the company did not run any operating activities in 2017.

(in thousands of PLN)

The Management Board monitors operating results of the segments separately in order to allocate resources, evaluate consequences of such allocations and results of operations. Transactional prices applied for transactions between operating segments are arm's length prices, similarly as in case of transactions between unaffiliated entities.

period of 12 months ended on 31 December 2017

	Raw meat and cured meat products	*Processing*	*Pigs*	*Cereals*	*Other operations*	*Adjustments*	*Total operations*
Revenues							
Sale to unaffiliated customers	1,649,175	39,840	45,938	8,078	25,764		**1,768,795**
Sale between segments	16,188	4,306	119,012	902	7,753	-148,162	**0**
Income of the segment	**1,665,363**	**44,146**	**164,950**	**8,980**	**33,518**	**-148,162**	**1,768,795**
Performance							
Profit/(loss) of the segment	**36,310**	**-4,370**	**9,316**	**1,944**	**-2,724**		**39,934**
Other information							
Depreciation	16,818	1,238	7,360	1,370	3,335		**30,121**
State as at 31.12.2017							
Trademarks	18,500	133					**18,633**
Relations with customers	5,026						**5,026**
Goodwill	88,071		1	5,169	12		**93,253**
EBITDA*	53,128	-3,132	16,677	3,313	611	0	70,055

* EBITDA = operating profit excluding income and expenses due to financial operations plus costs of depreciation.

(in thousands of PLN)

period of 12 months ended on 31 December 2016

	Raw meat and cured meat products	*Pigs*	*Cereals*	*Other operations*	*Adjustments*	*Total operations*
Revenues						
Sale to unaffiliated customers	1,325,422	102,079	8,404	18,392		1,454,296
Sale between segments	4,298	88,240	510	9,111	-102,159	0
Income of the segment	**1,329,720**	**190,319**	**8,914**	**27,503**	**-102,159**	**1,454,296**
Performance						
Profit/(loss) of the segment	**14,297**	**27,795**	**1,190**	**-1,453**		**41,829**
Other information						
Depreciation	12,847	5,449	1,271	2,446		22,012
State as at 31.12.2016						
Trademarks	17,400					17,400
Goodwill	67,903	1	5,689	12		73,605

Income from transactions between segments are eliminated at consolidation.

(in thousands of PLN)

Geographical Information

Revenue form key external customers, by countries:

	Year ended on 31 December 2017	*Year ended on 31 December 2016*
Poland	**1,507,323**	**1,273,573**
Abroad, of which:	**261,472**	**180,723**
Italy	11,137	11,416
Germany	29,240	29,593
The Netherlands	34,365	28,087
Lithuania	14,514	8,243
United Kingdom	4,607	-
Spain	694	6,224
Ukraine	798	1,980
Czech Republic	58,672	15,117
Austria	13,628	9,698
Ireland	5,047	2,578
China	12,096	12,063
Denmark	3,086	1,170
Slovakia	14,568	9,802
Hungary	29,154	23,519
other	29,866	21,233
Total	**1,768,795**	**1,454,296**

85% of revenues were realized in Poland.

The structure of "foreign" revenue is dominated by revenues from intra-Community sales, with the largest share being sales to countries such as Germany, the Netherlands, Czech Republic and Hungary.

12 Incomes and expenses

12.1 Other operating income

	Note	*Year ended on 31 December 2017*	*Year ended on 31 December 2016 (restated)*
Gain on the disposal of non-financial fixed assets		3,723	521
Gain on the bargain purchase	22.1 22.4	721	8,938
Subsidies and grants	36.3	4,630	2,160
Cancellation of provision for members of the producer's group		-	276
Cancellation of other provisions		-	359
Received penalties and damages		977	588
Inventory surplus net		- 113	96
Reimbursement of insurance costs		222	11

(in thousands of PLN)

Reclassification of weaners into fixed assets	-	500
Sale of scrap metal, waste paper	550	146
Cancellation of receivables revaluation write-offs	745	-
Reimbursement of litigation costs	93	240
Valuation of biological assets	-	1,846
Refund of overpaid taxes	71	741
VAT refund from abroad	179	-
Income from rental of investment properties	107	2,254
Other income	639	1,843
Other operating income, total	**12,544**	**20,521**

12.2 Other operating expenses

	Note	*Year ended on 31 December 2017*	*Year ended on 31 December 2016*
Establishment of an allowance for inventories		1,871	775
Establishment of an allowance for receivables	*	-	1,330
Establishment of provision for holidays		-	1,018
Establishment of provision for bonuses		-	100
Establishment of provision for losses in plant and animal production		268	-
Revaluation of tangible fixed assets		1,342	1,665
Communication damages		13	23
Other damages		139	163
Losses in plant and animal production		659	882
Donations made		72	61
Written-down fixed assets	18	-	243
Registered receivables		530	1
Valuation of biological assets		1,825	-
Other write-offs of non-financial fixed assets		-	627
Compensation for non-competition		46	193
Paid penalties and damages		-	94
Liquidation of non-rotating provisions		-	210
Impairment of subsidies' goodwill		-	855
Court expenses		68	137
Costs of rental of investment properties		61	2,137
Losses justified		5	460
Discontinued production		537	194
Liquidation of tangible fixed assets		231	-
Reclassification of weaners into fixed assets		325	-
Other costs		1,008	1,671
Other operating expenses, total		**9,000**	**12,838**

(in thousands of PLN)

12.3 Financial income

	Year ended 31 December 2017	*Year ended 31 December 2016*
Interest on loans granted	39	-
Bank interest revenues	195	50
Receivables' interest revenues	49	197
Other interest	22	11
Valuation of financial instruments	1	-
Cancellation of loan write-off	-	-
Interest on purchase of land	-	-
Positive foreign exchange differences	-	373
Other	7	-
Financial income, total	**312**	**631**

12.4 Financial expenses

	Year ended 31 December 2017	*Year ended 31 December 2016*
Interest on borrowings	6,678	6,022
Interest on leasing	689	654
Other interest	125	404
Negative foreign exchange differences	1,417	-
Revaluation of investments	-	-
Valuation of financial instruments	-	151
Bank commissions	1,307	663
Commissions and costs of factoring	701	695
Cost of purchase of shares and stocks	1,788	-
Cost of purchase of an organised part of the enterprise	783	-
Other	227	481
Financial expenses, total	**13,713**	**9,070**

12.5 Expenses by type

	Note	*Year ended on 31 December 2017*	*Year ended on 31 December 2016*
Depreciation	12.6	30,121	22,012
Materials and energy consumed		796,235	699,522
Third-party services		152,649	127,036
Taxes and charges		8,114	6,833
Salary and wage expense		85,544	61,232
Costs of employee allowances	12.7	18,069	12,609
Other prime costs		10,796	6,311
Costs related to inter-company transactions		- 251,061	- 253,084
Costs by type, total, of which:		**850,467**	**682,471**
Items recognized in own cost of sales		680,503	555,505
Items recognized in costs of sales		117,706	103,468
Items recognized in overhead expenses		44,507	31,392
Change in finished goods inventory		7,751	- 7,895

(in thousands of PLN)

12.6 Costs of depreciation

	Year ended on 31 December 2017	*Year ended on 31 December 2016*
Items recognized in own cost of sales:	22,242	14,308
Depreciation of tangible fixed assets	19,659	14,197
Accumulated depreciation of intangible fixed assets	2,583	111
Items recognized in costs of sales	4,022	3,717
Depreciation of tangible fixed assets	3,678	3,389
Accumulated depreciation of intangible fixed assets	344	328
Items recognized in overhead expenses:	3,857	3,987
Depreciation of tangible fixed assets	2,526	2,660
Accumulated depreciation of intangible fixed assets	1,331	1,327

12.7 Costs of employee allowances

	Year ended on 31 December 2017	*Year ended on 31 December 2016*
Salary and wage expense	85,544	61,232
Costs of retirement allowances	955	-
Costs of employee allowances, of which social insurance premiums	17,114	12,609
Costs of employee allowances, total, of which:	**103,613**	**73,841**
Items recognized in own cost of sales	43,343	26,031
Items recognized in costs of sales	39,331	36,340
Items recognized in overhead expenses	20,939	11,470

13 Components of other comprehensive income

Components of other comprehensive income are presented as follows:

	Year ended 31 December 2017	*Year ended 31 December 2016*
Cash flow hedges:		
IRS Valuation	374	269
Items not to be reclassified to the profit/(loss) in subsequent reporting periods:		
Measurement at fair value of investment property	-	-
Items to be reclassified to the profit/(loss) in subsequent reporting periods:		
Currency translation profit/loss from recalculation of foreign affiliates	- 2,112	- 429

14 Income tax

14.1 Tax expense

Major components of the income tax expense for the year ended 31 December 2017 and 31 December 2016 are as follows:

(in thousands of PLN)

	Year ended 31 December 2017	*Year ended 31 December 2016*
Recognized in the profit or loss		
Current income tax	-4,667	-947
Current income tax expense	-4,667	-947
Deferred income tax	-896	-1,333
Tax related to recognition and reversal of temporary differences	-896	-1,333
Tax expenses in the consolidated the profit or loss	**-5,563**	**-2,280**

14.2 Reconciliation of effective tax rate

The reconciliation of income tax on pre-tax gross profit according to the statutory tax rate, with the income tax calculated according to the Group's effective tax rate for the years ended 31 December 2017 and 31 December 2016, is as follows:

	Year ended 31 December 2017	*Year ended 31 December 2016 (restated)*
Gross gain/loss before tax	**26,533**	**33,390**
Tax at the statutory tax rate applicable in Poland, i.e. 19% (2016: 19%)	5,041	6,344
Non-tax revenues - profit on a bargain purchase		-1,172
Other income / costs not constituting tax revenues / tax deductible costs - permanent differences	2,090	1,922
Incomes of agricultural companies	-2,494	-3,637
Changes in estimates of assets realizability	-	-1,304
Other	926	127
Tax at the effective tax rate: **31.12.2016 7%** **31.12.2017 21%**	**5,563**	**2,280**
Income tax (expense) recognized in the profit or loss	**5,563**	**2,280**

14.3 Deferred income tax

Deferred income tax arises from the following items:

	As at 31 December 2017		*As at 31 December 2016*	
Deferred corporate tax	*Difference between the carrying amount and tax amount*	*Amount of deferred corporate tax*	*Difference between the carrying amount and tax amount*	*Amount of deferred corporate tax*
Liabilities for the future employee allowances and associated benefits	4,839	919	2,761	525
Negative foreign exchange differences	-216	-41	-234	-44
Interest on borrowings	304	58	5	1
Tax loss brought forward	8,099	1,539	940	179
Difference between the carrying amount and tax amount of investment properties	5,776	1,096	11,782	2,239
Provision for marketing operations	1,989	378	937	178
Provisions for employee allowances	5,526	1,050	4,411	838

(in thousands of PLN)

Revaluation of receivables	16,135	3,066	15,380	2,922
Revaluation of tangible fixed assets	4,104	780	6,510	1,237
Inventories revaluation write-off	3,819	726	665	126
Other provisions	7,122	1,353	1,300	247
Surplus of balance sheet depreciation over tax depreciation	12,112	2,301	15,960	3,032
Change in accruals and deferred income	-	-	1,353	257
Provision for cash bonuses	1,420	270	-	-
Total	**71,029**	**13,495**	**61,771**	**11,737**

Expense by virtue of deferred tax in the income statement as at 31 December 2017 amounted to PLN 897 thousand (as at 31 December 2016 amounted to PLN 1,290 thousand).

	As at 31 December 2017		***As at 31 December 2016***	
Provision for deferred corporate tax	***Difference between the carrying amount and tax amount***	***Amount of deferred corporate tax***	***Difference between the carrying amount and tax amount***	***Amount of deferred corporate tax***
Positive foreign exchange differences+	425	81	-87	-17
Trademark	23,060	4,381	17,400	3,306
Surplus of tax depreciation over balance sheet depreciation	9,654	1,834	0	0
Cash bonuses for suppliers	7,638	1,451	3,597	683
Net value of the leased asset	63,287	12,025	0	0
Other	394	74	287	54
Total	**104,458**	**19,847**	**21,196**	**4,027**

15 Social assets and liabilities of the Corporate Social Benefits Fund

The Law of 4 March 1994 on Corporate Social Benefits Fund, as amended, stipulates that the Corporate Social Benefits Fund (CSBF) is established by employers with more than 50 full-time employees. In 2017, the Group created a write-off for the Fund of PLN 180 thousand. The objective of the Fund is to finance social activity, loans to employees and other social costs.

The Group has offset the Fund's assets with its liabilities to the Fund, as these assets do not meet the definition of the Group's assets. Therefore, the net balance as at 31 December 2017 is PLN 0 thousand (as at 31 December 2016: PLN 0 thousand).

The tables below present an analysis of the assets, liabilities and expenses of the Fund.

	Year ended on 31 December 2017	***Year ended on 31 December 2016***
Loans granted to employees	139	302
Liquid assets	94	69
Liabilities related to the Fund	233	371
Balance upon set off	0	0

16 Profit per one share

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares existing during the period.

The below presented data concern the profit and shares used for calculating basic earnings per share:

	Year ended 31 December 2017	***Year ended 31 December 2016 (restated)***
Net profit / (loss) for the period (in thousands of PLN)	20,970	31,110
Weighted average number of ordinary shares used for calculating basic earnings per share	27,800,229	27,800,229
Profit / (loss) per one share:	0.75	1.12
- basic (diluted) from the profit for the reporting period	0.75	1.12
- basic (diluted) from the profit from continued operations for the reporting period	0.75	1.12

In the period between the balance sheet date and the date of these Financial Statements, there have been no other transactions involving ordinary shares or potential ordinary shares.

In the absence of dilutive instruments, there is no difference between the profit (loss) per basic share and diluted share.

17 Dividend paid and proposed for payment

In the current accounting period and in the comparative period no dividends were paid.

The Company does not plan to pay the dividend for 2017.

(in thousands of PLN)

18 Tangible fixed assets

Year ended on 31 December 2017	***Land (including perpetual usufruct of land)***	***Buildings, premises and civil engineering facilities***	***Technical equipment and machinery***	***Vehicles***	***Other fixed tangible assets***	***Investment in progress***	***Total***
Gross value as at 1 January 2017	**81,131**	**237,837**	**134,746**	**33,721**	**13,755**	**6,782**	**507,972**
Purchases	483	5,074	10,949	10,595	428	5,445	32,974
Increases related to the acquisition of subsidiaries	7,637	88,848	45,974	9,816	1,192	2,137	155,604
Reclassification from investment properties	174	10,628	1,596	109	6	-	12,513
Sales	- 676	- 5,353	- 3,037	- 2,943	- 349	- 232	- 12,590
Liquidation	-	- 2,653	- 11,601	- 835	- 1,647	- 84	- 16,819
Purchase from leasing	-	-	- 224	- 744	-	-	- 968
Currency differences from translation	- 12	- 1,331	- 1,072	- 687	- 68	- 69	- 3,239
Gross value as at 31 December 2017	**88,737**	**333,050**	**177,331**	**49,033**	**13,317**	**13,979**	**675,447**
Accumulated depreciation and revaluation write-offs as at 1 January 2017	**7,387**	**67,077**	**92,115**	**16,964**	**12,803**	**-**	**196,348**
Depreciation for the period	12	10,077	9,219	6,109	592	-	26,009
Accumulated depreciation related to the sale and liquidation of fixed assets (derecognition)	-	- 2,638	- 13,347	- 3,360	- 1,959	-	- 21,304
Recognition of revaluation write-offs	-	1,644	340	17	-	-	2,001
Cancellation of revaluation write-offs	-	- 4,311	- 1,099	- 67	- 16	-	- 5,493
Currency differences from translation	-	- 488	- 887	- 86	- 57	-	- 1,517
Accumulated depreciation and revaluation write-offs as at 31 December 2017	**7,399**	**71,361**	**86,342**	**19,577**	**11,363**	**-**	**196,044**
Net value as at 1 January 2017	**73,744**	**170,760**	**42,631**	**16,757**	**952**	**6,782**	**311,623***
Net value as at 31 December 2017	**81,338**	**261,689**	**90,989**	**29,456**	**1,954**	**13,979**	**479,406**

(in thousands of PLN)

Year ended on 31 December 2016	***Land (including perpetual usufruct of land)***	***Buildings, premises and civil engineering facilities***	***Technical equipment and machinery***	***Vehicles***	***Other fixed tangible assets***	***Investment in progress***	***Total***
Gross value as at 1 January 2016	**80,407**	**226,469**	**128,596**	**34,067**	**14,140**	**6,739**	**490,418**
Purchases	1,089	8,619	1,664	6,480	53	18,278	36,183
Increases related to the acquisition of subsidiaries	211	8,996	385	11	31	97	9,731
Reclassification within groups	48	5,393	7,057	394	411	- 16,533	- 3,230
Sales	- 44	-	- 422	- 7,289	- 762	-	- 8,516
Liquidation	-	- 289	- 407	- 178	- 92	- 1,720	- 2,686
Purchase from leasing	-	-	-	- 93	-	-	- 93
Reclassification into investment properties	- 579	- 10,979	- 1,596	- 109	- 6	- 101	- 13,370
* Other decreases	-	- 85	- 254	574	-	-	234
Currency differences from translation	- 2	- 286	- 276	- 137	- 19	22	- 699
Gross value as at 31 December 2016	**81,131**	**237,837**	**134,746**	**33,721**	**13,755**	**6,782**	**507,972**
Accumulated depreciation and revaluation write-offs as at 1 January 2016	**7,375**	**58,397**	**84,465**	**20,337**	**13,208**	**1,181**	**184,965**
Depreciation for the period	12	7,799	7,487	4,006	728	-	20,031
Accumulated depreciation related to the sale and liquidation of fixed assets (derecognition)	-	- 84	- 616	- 7,263	- 776	-	- 8,740
Recognition of revaluation write-offs	-	1,211	1,219	-	4	-	2,434
Cancellation of revaluation write-offs	-	- 145	- 243	- 40	- 341	- 1,181	- 1,949
Currency differences from translation	-	- 100	- 197	- 76	- 19	-	- 393
Accumulated depreciation and revaluation write-offs as at 31 December 2016	**7,387**	**67,077**	**92,115**	**16,964**	**12,803**	**-**	**196,348**
Net value as at 1 January 2016	**73,032**	**168,072**	**44,131**	**13,730**	**932**	**5,558**	**305,452**
Net value as at 31 December 2016	**73,744**	**170,760**	**42,631**	**16,757**	**952**	**6,782**	**311,623***

(in thousands of PLN)

* difference in the opening balance results from the retrospective settlement of the acquisition of PPH Ferma-Pol sp. o.o., the subsidiary.

The carrying amount of the technical equipment and machinery as at 31 December 2017 under financial leasing contracts and hire purchase contracts is PLN 25,195 thousand (as at 31 December 2016: PLN 2,005 thousand). Assets held under financial leasing contracts and hire purchase contracts have been pledged as a collateral for the related liabilities under financial leasing contracts and hire purchase contracts.

As at 31 December 2017, the Company held statements on the release from a mortgage from Bank Credit Agricole and Raiffeisen Bank.

According to the loan agreement of 31 October 2017 concluded with Pekao S.A., after the balance sheet date, the Company made the appropriate entries in the land and mortgage registers:

- a joint contractual mortgage up to the amount of PLN 317,754 thousand in order to secure the Bank's claims under the bank loan agreement
- a joint contractual mortgage up to the amount of PLN 28,080 thousand in order to secure the Bank's financial claims under the hedging agreements made by the Group.

Land and buildings, including investment properties with a carrying value of PLN 186,208 thousand as at 31 December 2016 were covered by a mortgage established to secure the Group's bank loans.

19 Leasing

19.1 Financial leasing liabilities - the Group as a lessee

As at 31 December 2017 and as at 31 December 2016, the Group was a party to lease contracts that concerned mainly trucks, passenger cars and production machinery.

As at 31 December 2017 and 31 December 2016, the minimum rentals payable under irrevocable financial leasing contracts are as follows:

	31 December 2017		***31 December 2016***	
	Minimum fees	***The present value of the fees***	***Minimum fees***	***The present value of the fees***
Within 1 year	13,538	12,590	4,998	3812
From 1 to 5 years	26,369	25,190	11084	10596
Minimum leasing fees, total	39,907	37,780	16,082	14,408
Financial expenses	2,128	-	1,674	-
Present value of minimum lease payments, of which:	37,779	-	14,408	-
Short-term ones	-	12,590	-	3,812
Long-term ones	-	25,190	-	10,596

(in thousands of PLN)

20 Investment real properties

	Year ended on 31 December 2017	***Year ended on 31 December 2016***
Opening balance as at 1 January	**13,943**	**17,492**
Change of status:	27,069	-3,549
Reclassification from fixed assets	0	12,912
Acquired as a part of shares purchased in ZM Silesia S.A.	11,292	
Other	2	-6
Reclassification into fixed assets	-12,513	-
Reclassification from/into fixed assets apportioned for sale	28,288	-16,454
Closing balance as at 31 December	**41,263**	**13,943**

In the hierarchy of the fair value measurement, all investment properties belong to Level 3.

In connection with the failure to fulfill the conditions under IFRS 5, the Group reclassified the following real properties from fixed assets apportioned for sale into investment properties:

- developed real property in Bytom,
- real property in Katowice,
- real property in Kraków - Mogiliany,
- undeveloped real property located in Gaj/Libertów,
- arable land, meadows and pastures, forests, wooded and shrubbed land, and developed arable land in Pławna,
- undeveloped real property in Mszczonów,
- agricultural land located in Czarnków near Huta,
- industrial areas in Czarnków near Huta,
- developed agricultural land after an agricultural plant located in Mąkoszyce, in municipality of Lubsza,
- undeveloped urban land in Chróścina, in municipality of Skoroszyce,
- real property in Chróścina – Bioenergia,
- Sławowice by Wołów,
- Ratajki.

As at 31 December 2016, the plant in Ciechanowiec was leased to an entity outside the Group (to CEDROB S.A.), and as at 31 December 2017 to a subsidiary - ZM Silesia S.A. (in the Gobarto Group). And therefore, it was reclassified to tangible fixed assets.

(in thousands of PLN)

A description of the valuation methods and key inputs used in the valuation of investment properties at fair value:

Range (weighted average)

	Significant unobservable inputs	***31 December 2017***	***Significant unobservable inputs***	***31 December 2016***
	estimated price per 1 sqm	from 6.00 to 4,761.00 PLN	estimated price per 1 sqm	from 5.01 to 2,846.00 PLN
Real properties valued using the paired comparison method	average price per 1 sqm	from 22.89 to 2,778.00 PLN	average price per 1 sqm	from 5.05 to 2,356.25 PLN
Real properties valued at the revised average price method	estimated price per 1 sqm	by 841.00 up to PLN 2,121.00		
Real properties valued at the discounted cash flow method			expected market return	10.06%

The given estimated prices per m2 are transaction prices obtained for similar properties in the market. The discrepancy in prices when estimating the market value of real properties takes into account their market features, in particular location, neighborhood and surroundings, equipment in technical infrastructure, additional technical infrastructure, restrictions in the form of terrain and available communication.

According to the discounted cash flow method, the fair value is estimated based on assumptions about the benefits and obligations associated with the maintenance of an asset over its economically useful life, including the final value and the residual value. This method consists in predicting future cash flows, for which the market discount rate is estimated to determine the present value of the income stream. The final value discount rate is usually determined separately and is different than the regular discount rate.

The forecast period, as well as a concrete timetable for revenue and expenditure is determined taking into account the changes resulting from a review of lease agreements, lease renewal agreements, sublease agreements, the planned reconstruction or re-equipment agreements. The period is usually determined by the specificity of the given class of the real property. Flow for the given period is usually estimated as gross income, adjusted for the cost of unrented area, non-reinvoiced costs, costs related to bad debts, additional benefits included in the lease contract, maintenance costs, agents' commissions and other costs related to the current functioning and management of the property. Future cash flows from operating activities after tax with the residual value are then discounted.

Mortgages established on investment real properties to secure loans are described in Note 18.

In the year ended 31 December 2016, the Group received rental income of PLN 2,452 thousand from the rental of real properties and incurred PLN 3,249 thousand of direct operating expenses arising from ownership of investment properties. Revenues and costs related to the rental of investment real properties are presented in the Consolidated Profit and Loss Account in the Other operating activities. In the year ended 31 December 2016, the Company received PLN 2,254 thousand from the rental of investment real properties and incurred PLN 2,137 thousand of direct expenses related to the rental.

(in thousands of PLN)

21 Fixed assets held for sale

	Year ended 31 December 2017	*Year ended 31 December 2016*
Opening balance as at 1 January	**57,270**	**40,059**
Change of status:	- 28,289	17,210
Reclassification from fixed assets	-	720
Reclassification from/into investment properties	- 28,289	16,491
Closing balance as at 31 December	**28,981**	**57,269**

As at 31 December 2017, the balance of fixed assets held for sale consists of:

- Undeveloped real property in Jawor; on 20 February 2018, the Company sold a part of the property; the Company conducts price negotiations in respect of the remaining part of the property,
- Developed land plots in Warsaw; the Company is negotiating the transaction conditions,
- Undeveloped land plots located in the town of Zawiercie; the Company is in the process of finalizing the transaction.

A description of the valuation methods and key inputs used in the valuation of fixed assets held for sale at fair value:

Range (weighted average)

	Significant unobservable inputs	***31 December 2017***	***Significant unobservable inputs***	***31 December 2016***
Real properties valued using the paired comparison method	estimated price per 1 sqm	from 35.44 to 3,002.00 PLN	estimated price per 1 sqm	from 35.44 to 4,761.00 PLN
	average price per 1 sqm	from 50.42 to 1,407.85 PLN	average price per 1 sqm	from 50.42 to 2,778.00 PLN

The given estimated prices per m2 are transaction prices obtained for similar properties in the market. The discrepancy in prices when estimating the market value of real properties takes into account their market features, in particular location, neighborhood and surroundings, equipment in technical infrastructure, additional technical infrastructure, restrictions in the form of terrain and available communication.

The estimated prices per m2 are the values used in the valuation process in the appraisal reports and do not directly form the basis for the valuation of fixed assets held for sale.

The paired comparison method consists in determining the market value of the appraised real property with some specific characteristics by comparing it subsequently with at least three similar real properties having known characteristics and prices which were traded in the market. In this method, an adjustment is made of each of the prices of the comparable properties for differences between them arising from differences in the characteristics and their weights.

22 Business combinations – settlement of acquisitions of subsidiaries

22.1 Settlement of the acquisition of shares by AGRO GOBARTO sp. z o.o., a subsidy, in a company under the business name of Przedsiębiorstwo Produkcyjno-Handlowe FERMA-POL sp. z o.o. – final settlement

On 21 December 2016, AGRO DUDA sp. z o.o., a subsidy, acquired shares in a company under the business name of Przedsiębiorstwo Produkcyjno-Handlowe "FERMA-POL" spółka z o.o. with its registered office in Zalesie (Zalesie, 46-146 Domaszowice).

The purpose of the transaction was the purchase by AGRO DUDA sp. z o.o. of 100% shares, i.e. 38,148 shares in PPH Ferma-Pol sp. z o.o. with the nominal value of PLN 500.00 (five hundred zloty) each, representing 100% of the share capital and entitling to 100% votes at the general meeting of shareholders of PP-H FERMA-POL sp. z o.o.

The agreed in the transaction purchase price of 100% of the shares in PPH FERMA-POL sp. z o.o. amounted to PLN 22,011,396.

Przedsiębiorstwo Produkcyjno-Handlowe FERMA-POL Sp. z o.o. is engaged in agricultural production, both in the plant and animal sector.

In connection with the development and implementation of the strategy for 2015-2019, the Group acquired an economic entity, PPH Ferma-Pol sp. z o.o.

Due to the moment of acquisition, the results of PPH FERMA-POL sp. z o.o. had no significant impact on the Group's financial result for 2016. Assets and liabilities of PPH Ferma-Pol sp. z o.o. have been included in the Group's consolidated financial statements as at 31 December 2016.

The company measured individual components of the balance sheet at fair value as at the acquisition date.

In the year ended 31 December 2017, the Company has made a final settlement of the acquisition of PPH Ferma-Pol sp. z o.o., adjusting the 2016 data.

The Group recognized the bargain acquisition profit of PLN 6,438 thousand in the Consolidated Profit and Loss Account for 2016 under other operating income, being the difference between the fair value of the net assets acquired (PLN 28,450 thousand) and the purchase price of PLN 22,011 thousand.

As at the purchase day, the fair value of accounts receivable is PLN 265,000. Gross value of accounts receivable arising from concluded contracts is PLN 265,000. No item in the accounts receivable is impaired; it is anticipated that it will be possible to recover the full amount arising from the contracts.

The payment was made on 20 December 2016.

In connection with the acquisition of shares in PPH FERMA-POL sp. z o.o., the subsidiary incurred costs of PLN 249 thousand, which were included in the financial expenses of the Condensed Consolidated Profit and Loss Account.

(in thousands of PLN)

Przedsiębiorstwo Produkcyjno – Handlowe Ferma-Pol Sp. z o.o.			***Date of acquisition 21 December 2016***
	Preliminary settlement	**Effect of fair value measurement and other estimates**	**fair value**
Tangible fixed assets	9,731	6,941	16,672
Long-term investments	399	251	650
Inventories	6,464	0	6,464
Trade receivables and other receivables	634	0	634
Cash and cash equivalents	5,664	0	5,664
Total acquired assets	**22,892**	**7,192**	**30,084**
Wages and salaries payable	0	160	160
Provisions	0	0	0
Trade payables and other liabilities	1,634	-160	1,474
Total acquired liabilities	**1,634**	**0**	**1,634**
Net acquired assets	**21,258**		**28,450**
Purchase price	**22,011**		**22,011**
Gain on the bargain purchase	**-753**		**6,438**

22.2 Settlement of acquisition of shares in BEKPOL sp. z o.o. – final settlement

On 3 January 2017, the parent company acquired shares in BEKPOL, a limited liability company with its registered office in Wałbrzych. The subject matter of the transaction was the purchase of 100% of shares, i.e. 238,980 shares, each with the nominal value of PLN 50, with the total nominal value of PLN 11,949,000.

The agreed in the Transaction purchase price of 100% of the shares in Bekpol sp. z o.o. amounted to PLN 15,636,461.40.

Bekpol Sp. z o.o. is involved in the wholesale of meat, cured meat products and poultry.

In connection with the development and implementation of the strategy for 2015-2019, the Group acquired an economic entity, Bekpol sp. o.o.

Due to the time of the acquisition, the revenues of Bekpol are accounted for in the Consolidated Financial Profit and Loss Account starting from 3 January 2017 as the amount of PLN 93,467 thousand and the net profit of PLN 1,791 thousand. Assets and liabilities of Bekpol sp. z o.o. have been included in the Group's Consolidated Financial Statements.

(in thousands of PLN)

Bekpol sp. z o.o.			***Date of acquisition 3 January 2017***
	Preliminary settlement	**Effect of fair value measurement and other estimates**	**Fair value**
Tangible fixed assets	1,931	297	2,228
Intangible assets	-	3,029	3,029
Inventories	775	-	775
Trade receivables and other receivables	6,451	206	6,656
Loans granted	986	-	986
Cash and cash equivalents	4,505	-	4,505
Total acquired assets	**14,648**	**3,532**	**18,180**
Wages and salaries payable	126	-	126
Provisions	-	632	632
Trade payables and other liabilities	2,790	205	2,995
Total acquired liabilities	**2,916**	**837**	**3,753**
Net acquired assets	**11,732**		**14,427**
Purchase price	**15,636**		**15,054**
Goodwill	**3,904**		**627**

The company measured individual components of the balance sheet at fair value as at the acquisition date.

The excess of the acquisition price over the fair value of the net asset of PLN 627 thousand was recognized in the Consolidated Statements on the Financial Standing as at 31 December 2017, as the goodwill.

In the above-mentioned goodwill, some intangible assets are included that can not be separated in the acquired entity or measured reliably due to their nature. The goodwill resulting from the acquisition consists mainly of synergies and benefits resulting from gaining new markets.

As at the purchase day, the fair value of accounts receivable is PLN 7,410 thousand. Gross value of accounts receivable arising from concluded contracts is PLN 7,410,000. No item in the accounts receivable is impaired; it is anticipated that it will be possible to recover the full amount arising from the contracts.

Trademarks and Customer Relations were recognized and measured as a part of the intangible assets.

Payment for the shares was adjusted according to the agreement on settlement of mutual receivables by PLN 582,000 and amounts to PLN 15,054,000. Payment of PLN 12,054,000 was made on 3 January 2017, the remainder will be transferred in accordance with paragraph 10.15 of the conditional agreement of 24 August 2016, i.e.:

* PLN 1,500,000 - one year after the closing date of the transaction
* PLN 750,000 - two years after the closing date of the transaction
* PLN 750,000 - six years after the closing date of the transaction

(in thousands of PLN)

In connection with the acquisition of shares in Bekpol sp. z o.o., the Company incurred costs of PLN 307,000, which were included in the financial expenses in the financial expenses of the Condensed Consolidated Profit and Loss Account.

22.3 Settlement of acquisition of shares in MEAT-PAC sp. z o.o. – final settlement

On 3 January 2017, the parent company acquired shares in Meat-Pac, a limited liability company with its registered office in Wałbrzych. The subject matter of the purchase were 100% of shares, i.e. 100 shares, each with the nominal value of PLN 50, with the total nominal value of PLN 5.000.

The agreed in the Transaction purchase price of 100% of the shares in Meat-Pack sp. z o.o. amounted to PLN 3,000,000,00.

Meat-Pac sp. z o.o. is involved in the cutting of poultry.

In connection with the development and implementation of the strategy for 2015-2019, the Group acquired an economic entity, Meat-Pac sp. z o.o.

Due to the time of the acquisition, the revenues of Meat-Pac are accounted for in the Consolidated Financial Profit and Loss Account starting from 3 January 2017 as the amount of PLN 56,806 thousand and the net profit of PLN -34 thousand. Assets and liabilities of Meat-Pac sp. z o.o. have been included in the Group's Consolidated Financial Statements.

Meat-Pac sp. z o.o.			***Date of acquisition 3 January 2017***
	Preliminary settlement	**Effect of fair value measurement and other estimates**	**Fair value**
Tangible fixed assets	365	-17	348
Intangible assets	-	1,456	1,456
Inventories	229	-	229
Trade receivables and other receivables	3,254	-	3,254
Cash and cash equivalents	351	-	351
Total acquired assets	**4,199**	**1,439**	**5,638**
Wages and salaries payable	23	-	23
Provisions	-	277	277
Trade payables and other liabilities	3,821	-	3,821
Total acquired liabilities	**3,844**	**277**	**4,121**
Net acquired assets	**355**		**1,517**
Purchase price	**3,000**		**3,000**
Goodwill	**2,645**		**1,483**

The company measured individual components of the balance sheet at fair value as at the acquisition date.

The excess of the acquisition price over the net value of the asset of PLN 1,483 thousand was recognized in the Consolidated Statements on the Financial Standing as at 31 December 2017, as the goodwill.

In the above-mentioned goodwill, some intangible assets are included that cannot be separated in the acquired entity or measured reliably due to their nature.

As at the purchase day, the fair value of accounts receivable is PLN 2.831 thousand. Gross value of accounts receivable arising from concluded contracts is PLN 2,831,000. No item in the accounts receivable is impaired; it is anticipated that it will be possible to recover the full amount arising from the contracts.

Trademarks and Customer Relations were recognized and measured as a part of the intangible assets.

Payment of PLN 2,000,000 was made on 3 January 2017, the remainder will be transferred in accordance with paragraph 10.15 of the conditional agreement of 24 August 2016, i.e.:

* PLN 500,000 - one year after the closing date of the transaction
* PLN 250,000 - two years after the closing date of the transaction
* PLN 250,000 - six years after the closing date of the transaction

In connection with the acquisition of shares in Meat-Pac sp. z o.o., the Company incurred costs of PLN 32.5 thousand, which were included in the financial expenses in the Condensed Consolidated Profit and Loss Account.

22.4 Settlement of the acquisition of shares by Przedsiębiorstwo Produkcyjno-Handlowe FERMA-POL sp. z o.o., a subsidy, in a company under the business name of Polskie Biogazownie „Energy-Zalesie" sp. z o.o. – final settlement

On 10 April 2017, PPH Ferma-Pol sp. z o.o., a subsidiary, acquired shares in Polskie Biogazownie „Energy-Zalesie", a limited liability company with its registered office in Warsaw. The subject matter of the transaction was the purchase of 100% of shares, i.e. 600 shares, each with the nominal value of PLN 100, with the total nominal value of PLN 60.000.

The agreed in the Transaction purchase price of 100% of the shares in Polskie Biogazownie „Energy-Zalesie" sp. z o.o. amounted to PLN 1.00.

Polskie Biogazownie „Energy-Zalesie" Sp. z o.o. is involved in carrying out businesses using renewable sources of energy.

In connection with the development and implementation of the strategy for 2015-2019, the Group acquired an economic entity, Polskie Biogazownie „Energy-Zalesie" sp. z o.o.

Due to the time of the acquisition, the revenues of Polskie Biogazownie „Energy-Zalesie" sp. z o.o. are accounted for in the Consolidated Financial Profit and Loss Account starting from 1 April 2017 as the amount of PLN 1,746 thousand and the net profit of PLN -2,662 thousand. Assets and liabilities of Polskie Biogazownie „Energy-Zalesie" sp. z o.o. have been included in the Group's Consolidated Financial Statements.

(in thousands of PLN)

The company measured individual components of the balance sheet at fair value as at the acquisition date.

Surplus of net assets over the acquisition price in the amount of PLN 721 thousand was included in the Consolidated Profit & Loss Account for 2017, in other operating revenues as a gain on an occasional acquisition.

The fair value of liabilities under borrowings has been measured at the fair value in accordance with the restructuring proceedings agreed. As at 31 December, the reorganization proceedings were completed.

As at the purchase day, the fair value of accounts receivable is PLN 279 thousand. Gross value of accounts receivable arising from concluded contracts is PLN 279,000. No item in the accounts receivable is impaired; it is anticipated that it will be possible to recover the full amount arising from the contracts.

In connection with the acquisition of shares in Polskie Biogazownie "Energy-Zalesie" sp. z o.o., a subsidiary Ferma-Pol sp. z o.o. incurred costs of PLN 59,000, which were included in the financial expenses in the Consolidated Profit and Loss Account for the current period.

Polskie Biogazownie „Energy-Zalesie" sp. z o.o.	***Date of acquisition 10 April 2017***
	Fair value
Tangible fixed assets	8,372
Inventories	663
Trade receivables and other receivables	496
Cash and cash equivalents	63
Total acquired assets	**9,594**
Wages and salaries payable	0
Provisions	138
Trade payables and other liabilities	8,734
Total acquired liabilities	**8,872**
Net acquired assets	**722**
Purchase price	**PLN 1**
Gain on the bargain purchase	**-721**

22.5 Settlement of the acquisition by the parent company of the Organized Part of the Enterprise - final settlement

On 31 October 2017, the Company concluded a sales agreement with CEDROB S.A.:

- of an organised part of the enterprise (ZCP ZP), constituting an organized set of tangible and intangible assets intended for conducting business activity consisting of manufacture of processed products in the processing plant in Ciechanów, for the price of PLN 24,685,600,
- of an organized part of an enterprise (ZCP SF), constituting an organized set of tangible and intangible assets intended for conducting business activity consisting in the retail sale of cured meat products and meat in twenty-five company stores, for the price of PLN 3,314,400.

(in thousands of PLN)

The payment will be made in two installments, as follows:

- by 30 June 2018, the Company will pay PLN 14,000,000
- by 31 December 2018, the Company will pay the remaining amount, i.e. PLN 14,000,000.

In connection with the development and implementation of the strategy for 2015-2019, the Group acquired an Organized Part of the Enterprise, Production Plant (ZCP ZP) and an Organized Part of the Enterprise, Company Stores (ZCP SF).

The company measured individual components of the balance sheet at fair value as at the acquisition date.

Due to the time of the acquisition, the results of ZCP ZP and ZCP SF are accounted for in the Consolidated Financial Profit and Loss Account starting from 1 November 2017. Assets and liabilities of ZCP ZP and ZCP SF have been included in the Group's Consolidated Financial Statements.

The excess of the acquisition price over the net value of the asset of PLN 8.753 thousand was recognized in the Consolidated Statements on the Financial Standing as at 31 December 2017, as the goodwill.

Organized Part of the Enterprise (ZCP) Production Pland (ZP) and Company Stores (SF)	**ZCP Production Plant**	**ZCP Company Stores**	**ZCP Production Plant**	**ZCP Company Stores**	***Date of acquisition 31 October 2017***
			Effect of fair value measurement and other estimates		**Fair value**
Tangible fixed assets	3,444	507	3,319	1,042	8,312
Intangible assets	-	-	4,109	-	4,109
Equipment	-	-	517	19	536
Inventories	3,613	266	-	-82	3,797
Trade receivables and other receivables	6,433	18	-	-	6,451
Cash and cash equivalents	-	-	-	-	-
Total acquired assets	**13,490**	**791**	**7,945**	**979**	**23,205**
Trade payables and other liabilities	3,763	196	-	-	3,959
Total acquired liabilities	**3,763**	**196**	**-**	**-**	**3,959**
Net acquired assets	**9,727**	**595**			**19,247**
Purchase price	**24,686**	**3,314**			**28,000**
Goodwill	**14,959**	**2,719**			**8,753**

In the above-mentioned goodwill, some intangible assets are included that cannot be separated in the acquired entity or measured reliably due to their nature. The goodwill resulting from the acquisition consists mainly of synergies and benefits resulting from gaining new markets.

As at the purchase day, the fair value of accounts receivable is PLN 6.451 thousand. Gross value of accounts receivable arising from concluded contracts is PLN 6,451 thousand. No item in the accounts receivable is impaired; it is anticipated that it will be possible to recover the full amount arising from the contracts.

Trademarks, Recipes and Customer Relations were recognized and measured as a part of the intangible assets.

In connection with the acquisition of ZCP ZP and ZCP SF, the company incurred costs of PLN 783 thousand, which were recognized in the financial expenses in the Consolidated Profit and Loss Account of the current period.

22.6 Acquisition of a subsidiary, JAMA sp. z o.o. – preliminary settlement

On 2 November 2017, the parent company acquired shares in JAMA sp. z o.o. with its registered office in Wałbrzych. The subject matter of the transaction was the purchase of 100% of shares, i.e. 3.000 shares, each with the nominal value of PLN 50, with the total nominal value of PLN 150.000.

The agreed in the Transaction purchase price of 100% of the shares in Jama sp. z o.o. amounted to PLN 12,000,000.00.

Jama Sp. z o.o. is involved in the wholesale of meat, cured meat products and poultry.

In connection with the development and implementation of the strategy for 2015-2019, the Group acquired its subsidiary, Jama sp. z o.o.

Due to the time of the acquisition, the revenues of Jama sp. z o.o. are accounted for in the Consolidated Financial Profit and Loss Account starting from 1 November 2017 as the amount of PLN 22,517 thousand and the net profit of PLN 443 thousand. Assets and liabilities of Jama sp. z o.o. have been included in the Group's Consolidated Financial Statements.

The excess of the acquisition price over the net value of the asset of PLN 9,102 thousand was recognized in the Consolidated Statements on the Financial Standing as at 31 December 2017, as the goodwill.

In the above-mentioned goodwill, some intangible assets are included that cannot be separated in the acquired entity or measured reliably due to their nature. The goodwill resulting from the acquisition consists mainly of synergies and benefits resulting from gaining new markets.

The Group did not make the final settlement of the acquisition of Jama sp. Z o.o. The settlement will be adjusted in subsequent periods.

Payment of PLN 9,500 thousand was made on 2 November 2017, the remainder will be transferred in accordance with the agreement, i.e.:

- PLN 1,837 thousand was paid on 22 January 2018
- PLN 1,500 thousand - six years after the closing date of the transaction
- PLN 500 thousand - 30 March 2020
- PLN 500 thousand - 30 March 2021

Fair value of accounts receivable is PLN 4,056 thousand. Gross value of accounts receivable arising from concluded contracts is PLN 4.056 thousand. No item in the accounts receivable is impaired; it is anticipated that it will be possible to recover the full amount arising from the contracts.

(in thousands of PLN)

In connection with the acquisition of shares in Jama sp. z o.o., the Company incurred costs of PLN 437 thousand, which were included in the financial expenses in the Consolidated Profit and Loss Account for the current period.

Jama sp. z o.o.	***Date of acquisition 2 November 2017***
	Fair value
Tangible fixed assets	1,108
Intangible assets	8
Inventories	934
Trade receivables and other receivables	4,826
Cash and cash equivalents	3,510
Total acquired assets	**10,386**
Wages and salaries payable	278
Provisions	157
Trade payables and other liabilities	5,216
Total acquired liabilities	**5,651**
Net acquired assets	**4,735**
Purchase price	**13,837**
Provisional settlement of acquisition in accordance with IFRS 3	**9,102**

22.7 Acquisition of a subsidiary, Zakłady Mięsne Silesia S.A. – preliminary settlement

On 1 December 2017, the Company acquired a subsidiary, Zakłady Mięsne Silesia Spółka Akcyjna with its registered office in Katowice.

The subject matter of the transaction was the purchase of 100% of shares, i.e. 5,500,000 shares, each with the nominal value of PLN 0.50, with the total nominal value of PLN 2,750,000.
The purchase price of 100% shares in ZM Silesia S.A. as established in the Transaction was PLN 78,000,000.
The payment will be made in two installments:

- PLN 30,000,000 by 30 June 2018,
- PLN 48,000,000 by 31 December 2018.

Purchase of shares was settled according to preliminary data (provisional settlement in accordance with IFRS 3); corrections concerning facts and circumstances that existed at the date of acquisition will be taken into account no later than in the condensed consolidated report for Q3 2018.

In connection with the development and implementation of the strategy for 2015-2019, the Group acquired its subsidiary, ZM Silesia S.A.

Due to the time of the acquisition, the revenues of the Silesia S.A. Group are accounted for in the Consolidated Financial Profit and Loss Account starting from 1 December 2017 at the amount of PLN 56,650 thousand and the net profit of PLN -2,970 thousand. Assets and liabilities of the Silesia S.A. Group have been included in the Group's Consolidated Financial Statements.

(in thousands of PLN)

Gain on a bargain purchase of PLN 4,314 thousand was recognized in the balance sheet item Revenues of future periods as a result of a preliminary settlement of the acquisition of subsidiaries.

The Group did not make the final settlement of the acquisition of ZM Silesia S.A. The settlement will be adjusted in subsequent periods.

Silesia Group	***Date of acquisition 1 December 2017***
	Fair value
Tangible fixed assets	140,088
Intangible assets	1,034
Investment real properties	6,397
Inventories	31,454
Trade receivables and other receivables	82,155
Cash and cash equivalents	1,187
Total acquired assets	**262,314**
Wages and salaries payable	4,018
Provisions	16,481
Trade payables and other liabilities	159,501
Total acquired liabilities	**180,000**
Net acquired assets	**82,314**
Purchase price	**78,000**
Provisional settlement of acquisition in accordance with IFRS 3	**-4,314**

The amount of accounts receivable accounted for in the preliminary settlement is PLN 39,477 thousand. Gross value of accounts receivable arising from concluded contracts is PLN 39.477 thousand. No item in the accounts receivable is impaired; it is anticipated that it will be possible to recover the full amount arising from the contracts.

In connection with the acquisition of ZM Silesia, the Company incurred costs of PLN 935 thousand, which were recognized in the financial expenses in the Consolidated Profit and Loss Account of the current period.

23 Intangible assets

	Patents and licenses	***- of which computer software***	***Relations with customers***	***Recipes***
Gross value as at 1 January 2017	**14,493**	**13,807**	**-**	**-**
Purchases	1,362	1,195	-	-
Increases related to the acquisition of a subsidiary	3,824	1,072	5,379	956
Increases related to reclassification	1,024	468	-	-
Sales	-1	-	-	-
Liquidation	-55	-12	-	-
Currency differences from translation	15	15	-	-
Gross value as at 31 December 2017	**20,662**	**16,545**	**5,379**	**956**
Accumulated depreciation and revaluation write-offs as at 1 January 2017	**6,541**	**6,036**	**-**	**-**
Revaluation write-off for the period	2,193	1,921	353	32
Accumulated depreciation related to the acquisition of a subsidiary	2,835	675	-	-
Accumulated depreciations related to reclassification	622	-	-	-

(in thousands of PLN)

Accumulated depreciation related to the sale and liquidation of intangible assets	-56	-12	-	-
Currency differences from translation	86	125	-	-
Accumulated depreciation and revaluation write-offs as at 31 December 2017	**12,221**	**8,745**	**353**	**32**
Net value as at 1 January 2017	**7,952**	**7,771**	**0**	**0**
Net value as at 31 December 2017	**8,441**	**7,800**	**5,026**	**924**

	Patents and licenses	*- of which computer software*
Gross value as at 1 January 2016	**14,204**	**13,558**
Purchases	1,188	1,188
Increases related to the acquisition of a subsidiary	87	87
Sales	-1	0
Decreases related to reclassification	-1,025	-1,024
Liquidation	-2	-2
Other	41	0
Gross value as at 31 December 2016	**14,493**	**13,807**
Accumulated depreciation and revaluation write-offs as at 1 January 2016	**5,254**	**4,951**
Revaluation write-off for the period	1,825	1,620
Accumulated depreciation related to the acquisition of a subsidiary	87	87
Accumulated depreciation related to the sale of a subsidiary	0	0
Accumulated depreciation related to the sale and liquidation of intangible assets	-3	0
Accumulated depreciations related to reclassification	-622	-622
Recognition of revaluation write-offs	0	0
Accumulated depreciation and revaluation write-offs as at 31 December 2016	**6,541**	**6,036**
Net value as at 1 January 2016	**8,951**	**8,607**
Net value as at 31 December 2016	**7,952**	**7,771**

24 Goodwill and trademarks

As at 31 December 2017, the goodwill of the company amounted at PLN 93,253 thousand (as at 31 December 2016: PLN 73,605 thousand).

Goodwill is allocated to the operating segments, as shown in the table below:

Operating segment	***Company***	***31 December 2017***	***31 December 2016***
Raw meat and cured meat products			
	GOBARTO DZICZYZNA	1,044	1,044
	GOBARTO	74,692	66,256
	NETBROKERS POLSKA	603	603
	BEKPOL	627	-
	MEAT-PAC	1,483	-
	JAMA	9,102	-
Total segment		**87,551**	**67,903**

(in thousands of PLN)

Pigs			
	AGRO GOBARTO	1	1
	PPH FERMA-POL	-	-
Total segment		**1**	**1**
Cereals			
	AGROPROF	3,001	3,001
	ROLPOL	2,686	2,686
	AGRONET	2	2
Total segment		**5,689**	**5,689**
Other operations			
	ROSAN AGRO	12	12
Total segment		**12**	**12**
Total goodwill		**93,253**	**73,605**

Trademarks are allocated to the raw meat and cold meat products segment.

As at 31 December 2017, the value of the trademarks amounted at PLN 18,633 thousand (as at 31 December 2016: PLN 17,400 thousand).

Operating segment	***Company***	***31 December 2017***	***31 December 2016***
Raw meat and cured meat products			
	GOBARTO	17,321	17,400
	BEKPOL	797	-
	MEAT-PAC	382	-
	ZAKŁADY MIĘSNE SILESIA	133	
Total segment		**18,633**	**17,400**
Trademarks, total		**18,633**	**17,400**

With respect to the goodwill, as at 31 December 2017, the Company produced an impairment test. The goodwill is tested for impairment at the level of the operating segments that are also cash-generating units.

The recoverable value of the individual operating segments was determined based on value in use calculated using cash flow projections based on financial budgets covering a five-year period as approved by senior executives.

Calculation of the value in use of each cash-generating unit is most sensitive to the following variables:

• Gross margin;

• Discount rates;

• Increase of raw materials prices;

• The growth rate used to estimate cash flows beyond the budget period.

Gross margin - gross margins are based on average values achieved in the three years period preceding the budget period. During the budget period, the gross margin increases by the anticipated efficiency improvement index. The Group applied individual indexes based on approved budgets.

Discount rate - discount rates reflect the estimate made by the management of the risks specific to each cash-generating unit, accounting for the value of money in time and the risks specific to individual assets that have not been incorporated in the estimate of cash flows. The discount rate was calculated taking into account the specific conditions of the activities of the Group and its operating segments based on the weighted average cost of capital (WACC). The WACC takes into account both debt and the equity. Cost of the equity is based on the return on investment expected by investors of the Group. The cost of debt is based on interest-bearing debt instruments that the Group is required to operate. Segment-specific risk is taken into account through the use of individual beta coefficient. Beta coefficients are estimated annually based on the widely available market data.

Increasing prices of raw materials - the estimate of changes in the prices of raw materials are made on the basis of data for specific commodities. Data on changes in the prices of raw materials in the past adjusted by the growth rate of sales revenue is used as the price index.

Estimated growth rate - growth rates are based on published results of industry research. For the reasons given above, the long-term rate used to estimate the budget data for the segments is 2.5%.

Sensitivity to changes in assumptions

In case of estimating the value in use of separate segments, the management believes that no reasonably possible change of a significant assumption referred to above would result in exceeding the recoverable amount by the carrying amount of the tested assets.

Raw meat and cured meat products segment

The recoverable value of the segment was determined based on value in use calculated using cash flow projections based on financial budgets covering a five-year period as approved by senior executives. Expected cash flows have been updated to reflect the decreased demand for products and services. The cash flow projections were prepared using the pre-tax discount rate of 6.93% (2016: 6.9%), and flows beyond the five-year period are estimated using a 2.5% growth rate.

No impairment was recognized in the raw meat and cured meat products segment. The surplus between the usable and carrying amount of the assets is PLN 409,291 thousand.

Processing segment

The recoverable value of the segment was determined based on value in use calculated using cash flow projections based on financial budgets covering a five-year period as approved by senior executives. Expected cash flows have been updated to reflect the decreased demand for products and services. The cash flow projections were prepared using the pre-tax discount rate of 6.93% (2016: 6.9%), and flows beyond the five-year period are estimated using a 2.5% growth rate.

No impairment was recognized in the processing segment. The surplus between the usable and carrying amount of the assets is PLN 66,517 thousand.

Swine segment

The recoverable value of the segment was determined based on value in use calculated using cash flow projections based on financial budgets covering a five-year period as approved by senior executives. Expected cash flows have been updated to reflect the decreased demand for products and services. The cash flow projections were prepared using the pre-tax discount rate of 6.93% (2016: 6.9%), and flows beyond the five-year period are estimated using a 2.5% growth rate.

No impairment was recognized in the swine segment. The surplus between the usable and carrying amount of the assets is PLN 48,288 thousand.

Cereals segment

The recoverable value of the segment was determined based on value in use calculated using cash flow projections based on financial budgets covering a five-year period as approved by senior executives. Expected cash flows have been updated to reflect the decreased demand for products and services. The cash flow projections were prepared using the pre-tax discount rate of 6.93% (2016: 6.9%), and flows beyond the five-year period are estimated using a 2.5% growth rate.

(in thousands of PLN)

No impairment was recognized in the cereals segment. The surplus between the usable and carrying amount of the assets is PLN 232 thousand.

Other operations segment

The recoverable value of the segment was determined based on value in use calculated using cash flow projections based on financial budgets covering a five-year period as approved by senior executives. Expected cash flows have been updated to reflect the decreased demand for products and services. The cash flow projections were prepared using the pre-tax discount rate of 12% or 6.93% (2016: 11.2% or 6.9%), and flows beyond the five-year period are estimated using a 2.5% growth rate.

No impairment was recognized in the Other operations segment. The surplus between the usable and carrying amount of the assets is PLN 18,826 thousand.

24.1 Sensitivity analysis

Changes in the financial parameters that are the basis for estimating the recoverable amount would change the present value of discounted cash flows. The current value of discounted cash flows for different WACC levels and different levels of growth rates during the residual period are presented below.

Raw meat and cured meat products segment

The carrying amount of CGU assets of the raw meat and cured meat products segment as at 31 December 2017 is PLN 332 million.

IMPAIRMENT

GROWTH RATE IN THE RESIDUAL PERIOD

WACC		1.5%	2.0%	2.5%	3.0%	3.5%
	5.9%	NO	NO	NO	NO	NO
	6.4%	NO	NO	NO	NO	NO
	6.9%	NO	NO	**NO**	NO	NO
	7.4%	NO	NO	NO	NO	NO
	7.9%	NO	NO	NO	NO	NO

Data from the table above indicate that the recoverable amount of the CGU assets will be higher than their carrying amount, even assuming a 1pp decrease in the growth rate in the residual period and a 1 pp increase in the WACC level in relation to the most probable variant (with the other parameters remaining unchanged).

Processing segment

The carrying amount of CGU assets of the processing segment as at 31 December 2017 is PLN 153 million.

IMPAIRMENT

GROWTH RATE IN THE RESIDUAL PERIOD

WACC		1.5%	2.0%	2.5%	3.0%	3.5%
	5.9%	NO	NO	NO	NO	NO

(in thousands of PLN)

6.4%	NO	NO	NO	NO	NO
6.9%	NO	NO	**NO**	NO	NO
7.4%	NO	NO	NO	NO	NO
7.9%	NO	NO	NO	NO	NO

Data from the table above indicate that the recoverable amount of the CGU assets will be higher than their carrying amount, even assuming a 1pp decrease in the growth rate in the residual period and a 1 pp increase in the WACC level in relation to the most probable variant (with the other parameters remaining unchanged).

Swine segment

The carrying amount of CGU assets of the swine segment as at 31 December 2017 is PLN 216 million.

IMPAIRMENT

GROWTH RATE IN THE RESIDUAL PERIOD

WACC	1.5%	2.0%	2.5%	3.0%	3.5%
5.9%	NO	NO	NO	NO	NO
6.4%	NO	NO	NO	NO	NO
6.9%	NO	NO	**NO**	NO	NO
7.4%	YES	NO	NO	NO	NO
7.9%	YES	YES	NO	NO	NO

Data from the table above indicate that only an extreme decline in the growth rate in the residual period and an increase in the WACC level in relation to the most probable variant (with the other parameters remaining unchanged) would indicate possible indications of impairment in this segment.

Cereals segment

The carrying amount of CGU assets of the cereals segment as at 31 December 2017 is PLN 48 million.

IMPAIRMENT

GROWTH RATE IN THE RESIDUAL PERIOD

WACC	1.5%	2.0%	2.5%	3.0%	3.5%
5.9%	NO	NO	NO	NO	NO
6.4%	NO	NO	NO	NO	NO
6.9%	NO	NO	**NO**	NO	NO
7.4%	YES	NO	NO	NO	NO
7.9%	YES	YES	YES	NO	NO

Data from the table above indicate that only an extreme decline in the growth rate in the residual period and an increase in the WACC level in relation to the most probable variant (with the other parameters remaining unchanged) would indicate possible indications of impairment in this segment.

Other operations segment

The carrying amount of CGU assets of the Other operations segment as at 31 December 2017 is PLN 17 million.

(in thousands of PLN)

IMPAIRMENT

GROWTH RATE IN THE RESIDUAL PERIOD

WACC	1.5%	2.0%	2.5%	3.0%	3.5%
5.9%	NO	NO	NO	NO	NO
6.4%	NO	NO	NO	NO	NO
6.9%	NO	NO	**NO**	NO	NO
7.4%	NO	NO	NO	NO	NO
7.9%	NO	NO	NO	NO	NO

Data from the table above indicate that the recoverable amount of the CGU assets will be higher than their carrying amount, even assuming a 1pp decrease in the growth rate in the residual period and a 1 pp increase in the WACC level in relation to the most probable variant (with the other parameters remaining unchanged).

25 Other assets

25.1 Other financial assets

	Year ended on 31 December 2017	*Year ended on 31 December 2016*
Loans granted	1,202	1,419
Long-term shares	132	163
Total	**1,334**	**1,583**
- short-term	-	-
- long-term	1,334	1,583

25.2 Other non-financial assets

	Year ended 31 December 2017	*Year ended 31 December 2016*
Budget receivables	20,424	12,718
Insurance receivables	746	329
Cash bonuses	2,316	3,597
VAT accrued, to be recognized in the next period	58	-
Legal and financial consultancy	271	172
Subsidies and grants	-	158
Containers	105	-
Other	1,049	797
Total	**24,969**	**17,771**
- short-term	24,954	17,668
- long-term	15	102

(in thousands of PLN)

26 Employee allowances

26.1 Retirement benefits

Retiring employees receive retirement benefits in the amount determined by the corporate remuneration systems, from the entities of the Group. Therefore, based on the valuation carried out, the Group makes a provision for the present value of liabilities related to retirement severance payments.
As at 31 December 2017, the provision for retirement benefits amounted at PLN 1,179 thousand (31 December 2016: PLN 380 thousand).

Key assumptions used in the valuation of employee benefits at the reporting date are as follows:

	Amount / Per cent	
	Year ended on 31 December 2017	***Year ended on 31 December 2016***
Calculation of retirement severance payments was based on the average salary in the amount of:	4,257	4,633
Estimated average real (above inflation) annual increase in salary:	2.50%	2.50%
Estimated average real (above inflation) semi-annual increase in salary:	1.00%	1.00%
Discount rate (annualized) adopted to determine the present value of future payments	3.5%	3.5%

27 Inventories

	Year ended on 31 December 2017	***Year ended on 31 December 2016***
Materials	19,460	5,911
Work in progress	17,653	4,312
Finished goods	18,082	14,490
Merchandise	14,936	10,137
Prepaid inventories	72	26
Total inventories	**70,203**	**34,876**

In the year ended 31 December 2017, the Group recognized a provision for inventories in the amount of PLN 1,723 thousand (in the year ended 31 December 2016: PLN 936 thousand).

28 Biological assets

The table below shows the sales revenue related to biological assets for the year ended 31 December 2017 and 31 December 2016.

	Year ended on 31 December 2017	**Year ended on 31 December 2016**
Revenues from sales of livestock	65,682	43,728
Total revenues from sales of biological assets	**65,682**	**43,728**

The Group recognizes revenue from sales of livestock as part of the revenue from sales of products.

(in thousands of PLN)

As at 31 December 2017, the Group had 116,281 pigs and 2,254 cows (31 December 2016: 104,383 pigs and 2,108 cows). During the year ended 31 December 2017, the Group sold 51.4 thousand pieces of livestock (in 2016: 49.7 thousand pieces).

Livestock is classified as current assets if it is to be sold within one year from the balance sheet date. Cereals and meat are transferred to the inventory at the time of collection/acquisition.

Biological assets are valued at the level 3 of the hierarchy of fair value measurement.

During the year there were no transfers between levels of the fair value hierarchy.
The table below shows the value of biological assets as at 31 December 2017 and 31 December 2016.

	Year ended on 31 December 2017	**Year ended on 31 December 2016**
Value as at 1 January	**62,434**	**45,153**
Purchases, births	37,423	16,487
Acquisitions related to the purchase of a subsidiary	-882	3,989
Lost livestock	18,621	-5,248
Change in fair value due to biological transformation	64,497	88,776
Change in fair value of livestock due to changes in prices	-25,865	5,717
Transfer of cereals and meat into inventories	-48,646	-65,930
Sales	-53,291	-26,284
Currency differences from translation	6,310	-226
Value as at 31 December	**60,601**	**62,434**
- fixed	**11,225**	**12,455**
- current	**49,376**	**49,979**

	31 December 2017	**31 December 2016**
Livestock at fair value less costs of preparing it for sale		
Livestock intended for breeding	11,225	17,188
Livestock intended for slaughter	40,331	37,671
Sowings	**9,045**	**7,575**
Total	**60,601**	**62,434**

The Group receives subsidies to agricultural activities. The nature of these subsidies is described in Note 36.3.

29 Trading receivables and other receivables

	Year ended on 31 December 2017	***Year ended on 31 December 2016***
Accounts receivable	**159,524**	**113,475**
- receivables from domestic purchasers	132,413	77,591
- receivables from foreign purchasers	27,111	35,884

(in thousands of PLN)

Other receivables from third parties	**5,142**	**1,734**
Other receivables	5,142	1,734
Total (gross)	**164,666**	**115,209**
Receivables revaluation write-off	15,980	15,801
Net receivables	**148,686**	**99,408**

Trading receivables are non-interest bearing and have normally a 35-day term of payment.

The Group has a respective policy to sell only to verified customers. As a result, according to the management, there is no additional credit risk that would exceed the doubtful debts allowance recognized for trade receivables of the Group.

As at 31 December 2017, trading receivables and in the amount of PLN 15,980 thousand (as at 31 December 2016: PLN 15,801 thousand) were deemed uncollectible and therefore subject to impairment. Movements in impairment losses for receivables were as follows:

	Year ended on 31 December 2017	*Year ended on 31 December 2016*
Impairment loss as at 1 January	**15,801**	**15,828**
Increase	2,175	2,267
Use	1,090	1,503
Release due to repayments	906	790
Impairment loss as at 31 December	**15,980**	**15,801**

The following is an analysis of trading receivables that as at 31 December 2017 and 31 December 2016, according to the term of payment prior to the write-down, were:

	Not overdue	*Overdue but recoverable*				*Total*
		< 1 month	*1-6 months*	*6-12 months*	*> 12 months*	
31 December 2017	107,481	29,954	5,048	450	16,591	159,524
31 December 2016	80,590	14,945	2,307	223	15,410	113,475

The Management Board assesses that the application of the IFRS 9 standard will not have a significant impact on the estimation of impairment losses on receivables.

30 Cash and cash equivalents

Cash at bank earns interest at floating interest rates, the amount of which depends on the interest rate on overnight bank deposits. Short-term deposits are made for varying periods of between one day and one month, depending on the current demand of the Group for cash and bear interest at interest rates fixed for them. The fair value of cash and cash equivalents as at 31 December 2017 is PLN 62,090 thousand (as at 31 December 2016: PLN 56,333 thousand).

The balance of cash and cash equivalents in the consolidated cash flow statement consisted of the following items:

	Year ended on 31 December 2017	*Year ended on 31 December 2016*
Cash in hand	548	260
Cash at bank	46,261	35,310
Short-term deposits	14,547	18,577

(in thousands of PLN)

Cash in progress	734	2,186
Total	**62,090**	**56,333**

31 Share capital and revenue reserves / supplementary capitals

31.1 Share capital

Share capital	**31 December 2017**	**31 December 2016**
Series A ordinary shares with the par value of PLN 10 each	27,800,229	27,800,229

	Quantity	***Value***
Ordinary shares, issued and paid-up in full		
As at 1 January 2017	27,800,229	27,800,229
As at 31 December 2017	27,800,229	27,800,229
As at 1 January 2016	27,800,229	27,800,229
As at 31 December 2016	27,800,229	27,800,229

31.1.1 Par value of a share

As at 31 December 2017, all issued shares have the par value of PLN 10.00 and have been paid-up in full.

31.1.2 Rights of Shareholders

The shares of all series are equally preferred as to dividends and return of capital.

31.1.3 Shareholders with significant participation

31 December 2017

No.	Shareholder	Number of shares	Interest in the share capital (%)	Number of votes	Interest in the total number of votes (%)
1.	CEDROB S.A. – parent company	23,103,888	83.11	23,103,888	83.11
2.	Other	4 431,341	16.89	4 431,341	16.89

31 December 2016

No.	Shareholder	Number of shares	Interest in the share capital (%)	Number of votes	Interest in the total number of votes (%)
1.	CEDROB S.A. – parent company	18,348,151	66	18,348,151	66
2.	Other	9,452,078	34	9,452,078	34

32 Revenue reserve

The revenue reserve amount arose from statutory deductions from profits generated in the previous financial years.

32.1 Retained earnings and restrictions on dividend payments

The statutory financial statements of the GOBARTO Group are prepared in accordance with local accounting standards. The dividend may be paid on the basis of profit determined in the separate annual financial statements prepared for statutory purposes.

In accordance with the requirements of the Commercial Companies Code, the parent company is obliged to create revenue reserve to cover losses. This category of the capital receives at least 8% of the profit for the year recognized in the separate financial statements of the parent company until the revenue reserve reaches at least one third of the share capital of the parent company. The use of the revenue reserve and supplementary capital is decided by the General Meeting. However, the revenue reserve in the amount of one-third of the share capital may be used only to cover the losses reported in the financial statements of the parent company and can not be allocated for other purposes.

As at 31 December 2017, there are no other restrictions on the payment of dividends.

32.2 Non-controlling shares

As at 31 December 2017 and 31 December 2016, there are no non-controlling shares.

33 Interest bearing borrowings

						31 December 2017			31 December 2016		
Name of bank	**Type**	**Date of repayment**	**Credit amount in thousands**	**Credit currency**	**Interest rates base**	**Amount to be repaid in thousand PLN**	**long-term**	**short-term**	**Amount to be repaid in thousand PLN**	**long-term**	**short-term**
PEKAO SA	Investment	31.12.2023	68,499	PLN	WIBOR 3M	68,368	-	68,368	-	-	-
PEKAO SA	Working capital	31.12.2019	98,570	PLN	WIBOR 1M	42,429	-	42,429	-	-	-
PEKAO SA	Investment	31.12.2023	6,750	PLN	WIBOR 3M	6,750	-	6,750	-	-	-
Credit Agricole	Investment	24.07.2023	763	PLN	WIBOR 3M	714	714	-	-	-	-
Credit Agricole	bridging loan	24.02.2018	196	PLN	WIBOR 3M	1	-	1	-	-	-
PEKAO SA	Working capital	31.12.2019	5,100	PLN	WIBOR 1M	4,954	-	4,954	-	-	-
ALIOR BANK	Working capital	07.04.2018	3,200	PLN	WIBOR 1M	-	-	-	-	-	-
PEKAO SA	Investment	31.12.2023	5,529	PLN	WIBOR 1M	5,214	-	5,214	-	-	-
PEKAO SA	Working capital	31.12.2019	20,000	PLN	WIBOR 1M	16,200	-	16,200	-	-	-
PEKAO SA	Investment	31.05.2018	677	PLN	WIBOR 1M	508	-	508	-	-	-
PEKAO SA	Working capital	31.12.2019	3,500	PLN	WIBOR 1M	3,055	-	3,055	-	-	-
PEKAO SA	Working capital	31.12.2019	2,500	PLN	WIBOR 1M	-	-	-	-	-	-
PEKAO SA	Investment	31.07.2022	2,297	PLN	WIBOR 1M	2,255	-	2,255	-	-	-
PEKAO SA	Working capital	31.12.2019	1,500	PLN	WIBOR 1M	653	-	653	-	-	-
PEKAO SA	Investment	31.12.2023	3,954	PLN	WIBOR 1M	3,911	-	3,911	-	-	-
PEKAO SA	Working capital	31.12.2019	1,500	PLN	WIBOR 1M	826	-	826	-	-	-
PEKAO SA	Working capital	31.12.2019	800	PLN	WIBOR 1M	-	-	-	-	-	-
PEKAO SA	Investment	31.12.2023	7,800	PLN	WIBOR 3M	7,800	-	7,800	-	-	-
PEKAO SA	Working capital	31.12.2019	1,500	PLN	WIBOR 1M	1,499	-	1,499	-	-	-
PKO BP	multi-purpose lending limit	20.12.2018	2,000	PLN	WIBOR 1M	-	-	-	-	-	-
BZWBK SA	revolving loan	25.04.2021	15,000	PLN	WIBOR 1M	12,500	8,750	3,750	-	-	-
MILLENIUM	revolving loan	26.04.2021	15,000	PLN	WIBOR 1M	12,500	8,750	3,750	-	-	-
BZWBK SA	Working capital	30.06.2019	12,000	PLN	WIBOR 1M	2,750	-	2,750	-	-	-
MILLENIUM	Working capital	30.06.2019	12,000	PLN	WIBOR 1M	4,263	-	4,263	-	-	-
Class Financial	loan	13.10.2022	1,420	PLN	WIBOR 1M	1,049	677	372	-	-	-
BZ WBK Leasing	loan	25.01.2019	65,498	PLN	-	65	65	-	-	-	-

(in thousands of PLN)

Raiffeisen Bank Polska	Refinancing	31.12.2019	50,000	PLN	WIBOR 3M	-	-	-	30,000	20000	10,000
Raiffeisen Bank Polska	Revolving	31.10.2018	22,500	PLN	WIBOR 1M	-	-	-	22,500	-	22,500
Credit Agricole	Working capital	31.05.2017	40,500	PLN	WIBOR O/N	-	-	-	23,838	-	23,838
Loan (CEDROB)		31.12.2017	18,000	PLN	WIBOR 3M	-	-	-	18,000	-	18,000
BZWBK	Investment	31.08.2020	25,260	PLN	WIBOR 3M	-	-	-	20,749	17,140	3,609
Credit Agricole	Working capital	31.05.2017	5,100	PLN	WIBOR O/N	-	-	-	4,415	-	4,415
BZ WBK	Investment	27.09.2023	7,500	PLN	WIBOR 3M	-	-	-	7,313	6,563	750
Raiff. Bank Aval	Working capital	29.03.2017	1,500	UAH	fixed	-	-	-	194	-	194
Raiff. Bank Aval	Working capital	29.03.2017	6,500	UAH	fixed	-	-	-	59	-	59
Kredobank SA	Working capital	29.03.2017	8,000	UAH	fixed	-	-	-	432	-	432
Credit Agricole	Working capital	31.05.2017	18,300	PLN	WIBOR 1M	-	-	-	17,971	-	17,971
Credit Agricole	Investment	10.01.2018	12,015	PLN	WIBOR 1M	-	-	-	3,395	261	3,134
Credit Agricole	Investment	27.11.2019	6,300	PLN	WIBOR 1M	-	-	-	4,965	4,324	641
Credit Agricole	Investment	10.01.2018	7,805	PLN	WIBOR 1M	-	-	-	2,205	168	2,036
Credit Agricole	Working capital	31.05.2017	3,300	PLN	WIBOR 1M	-	-	-	3,008	-	3,008
Credit Agricole	Investment	10.01.2018	4,096	PLN	WIBOR 1M	-	-	-	2,672	2172	500
Credit Agricole	Working capital	31.05.2016	1,300	PLN	WIBOR 1M	-	-	-	982	-	982
Credit Agricole	Working capital	31.05.2016	1,100	PLN	WIBOR 1M	-	-	-	183	-	183
Credit Agricole	Investment	27.11.2019	1,100	PLN	WIBOR 1M	-	-	-	870	760	110
Credit Agricole	Investment	30.10.2020	3,935	PLN	WIBOR 1M	-	-	-	3,467	3,066	401
Credit Agricole	Loan	13.10.2022	1,420	PLN	WIBOR 1M	-	-	-	1,420	1,048	372
Total						**198,266**	**18,957**	**179,309**	**168,638**	**55,502**	**113,135**

In 2017, a reclassification of 121 million was made from long-term to short-term liabilities, as detailed in Note 7.

(in thousands of PLN)

34 Financial instruments

34.1 Fair value of each class of financial instruments

The table below shows a comparison of the carrying amounts and fair values of the Group's financial instruments measured at fair value, divided into different classes and categories of assets and liabilities.

	Carrying amount		***Fair value***	
	31 December 2017	***31 December 2016***	***31 December 2017***	***31 December 2016***
Derivative financial instruments designated as part of hedging relationships - cash flow hedge, including:				
Foreign currency forward contracts			374 -	150
Total			**-**	**150**

	Carrying amount		***Fair value***	
	31 December 2017	***31 December 2016***	***31 December 2017***	***31 December 2016***
Derivative financial instruments designated as part of hedging relationships - cash flow hedge, including:				
Interest rate swaps	-	-374	-	- -374
Total		**-374**		**- 374**

According to the assessment of the Group, the fair values of the other assets and liabilities of a financial nature do not differ from the carrying amounts, largely due to the short maturity.

As at 31 December 2017, the Group did not have any financial instruments measured at fair value.

34.2 Items of revenues, expenses, gains and losses recognized in the profit and loss account by categories of financial instruments

Year ended on 31 December 2017

	Interest revenues/(expenses)	***Gain/(loss) on foreign exchange translations***	***Cancellation/ (establishment) of revaluation write-offs***	***Gain/(loss) on revaluation***	***Total***
Financial assets					
Trading receivables and other receivables	49	962	556	-	**1,567**
Other financial assets	22	-	-	-	**22**
Cash and cash equivalents	234	-	-	-	**234**
Total	**305**	**962**	**556**	**-**	**1,823**

Financial liabilities					
Interest bearing borrowings	6,678	-	-	-	**6,678**
Accounts payable	124	2,379	-	-	**2,503**
Financial liabilities	211	-	-	-	**211**
Total	**7,013**	**2,379**	**-**	**-**	**9,392**

(in thousands of PLN)

Year ended on 31 December 2016

	Interest revenues/(expenses)	***Gain/(loss) on foreign exchange translations***	***Cancellation/ (establishment) of revaluation write-offs***	***Gain/(loss) on revaluation***	***Total***
Financial assets					
Trading receivables and other receivables	196	492	-	-	**688**
Other financial assets	-	118	-	-151	**-32**
Cash and cash equivalents	50	243	-	-	**294**
Total	**246**	**854**	**-**	**-151**	**949**
Financial liabilities					
Interest bearing borrowings	6,022	-39	-	-	**5,984**
Accounts payable	242	-452	-	-	**-210**
Financial liabilities	654	-3	-	-	**651**
Total	**6,919**	**-494**	**-**	**-**	**6,425**

(in thousands of PLN)

35 Provisions

35.1 Change in provisions

	Post-employment benefits (Note 23)	*Other provisions for employee allowances*	*Provision for VAT payable (Ukraine)*	*Other provisions*	*Total*
As at 1 January 2017	**380**	**2,469**	**241**	**16**	**3,107**
Established in the course of the accounting year	799	3,635	-	1,516	5,950
Used	-	- 220	- 219	- 757	- 1,196
Cancelled	-	- 2,340		- 518	- 2,858
Adjustment arising from foreign exchange translations	-	-	- 22	103	81
As at 31 December 2017	**1,179**	**3,544**	**- 0**	**360**	**5,083**
As at 1 January 2016	**335**	**202**	**763**	**777**	**2,077**
Established in the course of the accounting year	45	2,469	-	927	3,440
Used	-	- 201	- 484	- 855	- 1,541
Cancelled	-	- 1	-	- 825	- 826
Adjustment arising from foreign exchange translations	-	-	- 38	- 9	- 46
As at 31 December 2016	**380**	**2,469**	**241**	**16**	**3,107**
Short-term as at 31 December 2017	**108**	**3,544**	**- 0**	**360**	**4,012**
Long-term as at 31 December 2017	**1,071**	**-**	**-**	**-**	**1,071**
Short-term as at 31 December 2016	**43**	**2,469**	**241**	**16**	**2,769**
Long-term as at 31 December 2016	**337**	**-**	**-**	**-**	**337**

In the item of post-employment benefits, the Group recognizes a provision for pensions, whereas under other employee-related provisions - a provision for costs associated with the non-competition and other employee-related matters.

Provision for VAT is related to tax proceedings pending in Ukraine-based companies

(in thousands of PLN)

36 Trading payables, other liabilities and accruals and deferred income

36.1 Trading payables and other financial liabilities

Trading payables as at 31 December 2017 and 31 December 2016 relate to liabilities to the other entities and the ultimate parent company.

	31 December 2017	*31 December 2016*
Accounts payable	**205,990**	**147,790**
To subsidiaries and affiliates	40,403	34,141
To other entities	165,587	113,649

The table below presents the financial liabilities as at 31 December 2017 and 31 December 2016:

	31 December 2017	*31 December 2016*
Accounts payable	**205,990**	**147,790**
To subsidiaries and affiliates	40,403	34,141
To other entities	165,587	113,649

	31 December 2017	*31 December 2016*
Leasing liabilities	37,779	14,408
Promissory notes payable	106	-
Factoring liabilities	1,578	275
Purchase of land liabilities	6,292	6,941
Other financial liabilities	-	373
Total	**45,756**	**21,997**
- short-term	14,568	4,756
- long-term	31,187	17,242

Terms and conditions of payment of the above financial liabilities:

Terms of transactions with associated parties are presented in Section 38.2 of the Notes.

Trading payables are non-interest bearing and are normally settled within 14 days.

Other payables are non-interest bearing and have an average term of payment of 1 month.

Interest payable is usually settled on a monthly or quarterly basis.

36.2 Other non-financial liabilities

	31 December 2017	*31 December 2016*
Budgetary liabilities	11,820	6,125
Wages and salaries payable	13,097	6,496
Liabilities due to acquisition of subsidiaries	113,755	-
Other non-financial liabilities	2,888	734
Total	**141,561**	**13,356**

The amount resulting from the difference between VAT liabilities and VAT receivables is paid to the relevant tax authorities on a monthly basis.

(in thousands of PLN)

36.3 Prepayments and accruals

	Year ended 31 December 2017	*Year ended 31 December 2016*
Accruals and deferred expenses, on:		
Accrued cash bonuses for suppliers	1,420	1,210
Marketing services and sales intermediation	2,073	937
Other accruals and deferred expenses	1,557	1,206
Total	**5,050**	**3,352**
- short-term	5,050	3,352
- long-term	-	-

	Year ended 31 December 2017	*Year ended 31 December 2016*
Accruals and deferred income, on:		
Government subsidies	4,854	4,244
Preliminary settlement of the purchase of ZM Silesia shares	4,314	-
Other	710	806
Total	**9,878**	**5,049**
- short-term	6,010	752
- long-term	3,868	4,298

In the government subsidies, subsidies for operating activities are recognized. As at 31 December 2017, the balance of government subsidies consists of subsidies under the following programs: SAPARD (PLN 3,456 thousand), SPOROL (PLN 31 thousand), ARIMR (PLN 1,357 thousand) and subsidies for the Structural Funds (PLN 9 thousand).

37 Contingent liabilities

37.1 Contingent liabilities

As at 31 December 2017, the Company had the following bank guarantees:

BANK GUARANTEES					
BANK	SPÓŁKA	ISSUE DATE	GUARANTEE BENEFICIARY	GUARANTEE AMOUNT	TERM OF VALIDITY
PEKAO SA	GOBARTO SA	07.12.2017	Śląski Rynek Hurtowy OBROKI Sp. z o.o.	PLN 40,781.00	31.05.2018
PEKAO SA	GOBARTO SA	07.12.2017	GF Ramba Sp. z o.o.	PLN 244,705.00	30.06.2018
PEKAO SA	GOBARTO SA	11.12.2017	Barbara i Adam Skwarek, ABKO sp. z o.o.	PLN 3,140,422.64	11.01.2023
PEKAO SA	GOBARTO SA	11.12.2017	Barbara i Adam Skwarek	PLN 1,046,807.55	11.01.2023
PEKAO SA	GOBARTO SA	29.12.2017	Marek Piekaj	PLN 4,500,000.00	28.12.2023
			GUARANTEES, IN TOTAL:	PLN 8,972,716.19	

(in thousands of PLN)

37.2 Court cases

The list of significant court and enforcement proceedings, to which the companies of the GOBARTO S.A. Group were a party as at 31 December 2017:

GOBARTO S.A.

List of cases in which the value in dispute exceeds PLN 400,000 and in which GOBARTO S.A. is a petitioner.

GOBARTO S.A. vs. Zakłady Mięsne MAT w Czerniewicach sp. z o.o. – (Value in Dispute: PLN 2,924,518.88) – upon discontinuance of the bankruptcy proceedings two enforcement proceedings were initiated. As a result of the establishment of the trustee in bankruptcy, the court bailiff has taken suspended proceedings. Enforcement proceedings, pending. Court bailiff sells movables.

GOBARTO S.A. c/a Zbigniew Jachym – (Value in Dispute: PLN 630,965.10) - the decision to discontinue the proceedings dated 31 December 2017 (received on 9 January 2018)

GOBARTO S.A. c/a Wiesław Sobotka – (Value in Dispute: PLN 455,170.24) - Gobarto S.A.'s receivables in the amount of PLN 455,033.49 was entered into the list of receivables. The assets of the bankrupt were liquidated. The amount obtained from the sale was less than PLN 5 million. Plans regarding distribution of the proceeds from the sale of properties charged with mortgages have been executed. Mortgage lenders have been satisfied; employees and other creditors are still left. We are waiting for the final plan of distribution.

GOBARTO S.A. c/a MARCPOL S.A. – (Value in Dispute: PLN 874,438.53) - The claim is included in the list of receivables in total in respect of the principal amount and almost in full in respect of the interest. The receiver takes up actions in order to sell the real property in Czestochowa at ul. Dekabrystów. The movable property (equipment of shops, vehicles and organized parts of the enterprise) are also being sold.

GOBARTO S.A. vs. Aneta and Tomasz Zajączkowscy – (Value in Dispute: PLN 518,899) - Gobarto S.A. (as the legal successor of PKM Tucz sp. o.o.) sued A. T. Zajączkowski for selling piglets and feed in connection with the cultivation contract. On 8 November 2017, the court of the second instance announced the final verdict and adjudicated the entire claim to the benefit of Gobarto. At present, enforcement proceedings are pending.

The total value in dispute for the remaining lawsuits brought by GOBARTO S.A.:	PLN 13.073 thousand
The total value in dispute for lawsuits in which the GOBARTO S.A. is a defendant:	PLN 6.227 thousand

List of cases where GOBARTO S.A. is the defendant.

GOBARTO S.A. vs. Minority Shareholders
A claim to annul the Company's resolution on changing the Company's status by granting the authority to the Management Board to increase the share capital up to the amount of the authorized capital and the authority to the Management Board to deprive the existing shareholders of the subscription right, upon the consent of the Company's Supervisory Board We consider the claim to be unfounded. We anticipate that the claim will be dismissed, but we are not able to comment on the outcome of the proceedings. The case is pending.

AGRO GOBARTO sp. z o.o.

Przedsiębiorstwo Rolno-Zbożowe „Mieszko" sp. z o.o. c/a AGRO GOBARTO sp. z o.o. – the Court issued a verdict dismissing the lawsuit against Agro Gobarto.

The total value in dispute for the remaining lawsuits brought by Agro Gobarto sp. z o.o.	PLN 406.00 thousand
The total value in dispute for lawsuits in which Agro Gobarto sp. z o.o. is a defendant:	NONE

NETBROKERS spółka z ograniczoną odpowiedzialnością Sp. k.

NETBROKERS spółka z o.o. c/a Lepro-pol Stanisław Prochot, Krzysztof Lewandowski – Ubój Zwierząt Rzeźnych wholesale of meat "Sp. j. Stanisław Prochot, Krzysztof Lewandowski – (Value in Dispute: PLN 1,061,003.63)

37.3 Tax settlements

Tax settlements and other regulated areas of activity (for example, customs or foreign exchange cases) may be the subject of control by administrative authorities, which are entitled to impose high penalties and sanctions. The lack of reference to established legal regulations in Poland results in a lack of clarity and consistency in the existing provisions of law. Frequent differences in opinions as to legal interpretations of tax regulations, both within government bodies and between government bodies and companies, lead to uncertainty and conflicts. These phenomena make the tax risk in Poland significantly larger than it generally is in countries with better developed fiscal systems.

Tax settlements may be subject to inspection for a period of five years from the end of the year in which the tax was paid. As a result of the inspection, the current tax settlements of the Group may be increased by additional tax liabilities. According to the Group, as at 31 December 2017, adequate provisions were created for recognized and quantifiable tax risks.

As at 31 December 2017, one audit proceeding was pending in the Group.

(in thousands of PLN)

38 Information on related entities

The below table presents the total amounts of transactions concluded with the affiliates in the current and previous accounting year:

Related entity		*Sales to related parties*	*Purchases from related entities*	*Receivables from subsidiaries and affiliates*	*of which overdue*	*Liabilities to related entities*	*of which outstanding, after the term of payment*
Parent company:							
CEDROB S.A.	*2017*	18,295	201,504	883	253	146,199	6,429
	2016	25,599	185,170	2,699	-	56,526	6,876
Other related entities:							
CEDROB Vertriebs Und Handelsgesellschaft GmbH	*2017*	-	-	209	-	-	-
	2016	-	-	221	-	-	-
CEDROB Passau GmbH	*2017*	24,052	-	5,532	-	-	-
	2016	27,524	-	7,750	-	-	-

As at 31 December 2017, in item Liabilities to related entities, an amount of PLN 106,000 thousand was disclosed as liabilities arising from the purchase for:

- PLN 24,686 thousand - of an Organized Part of the Enterprise, Production Plant,
- PLN 3,314 thousand - of an Organized Part of the Enterprise, Company Stores,
- PLN 78,000 thousand – of shares in ZM Silesia S.A.

(in thousands of PLN)

38.1 Ultimate parent company

As at 31 December 2017, CEDROB S.A. owns 23.368.888 shares, which is 84.00% of the ordinary shares of the parent company.

38.2 Terms of transactions with subsidiaries and affiliates

Transactions with subsidiaries and affiliates are concluded on the arm's-length terms.

38.3 Remuneration of senior executives of the Group

38.3.1 Remuneration paid or due to members of the Management Board, members of the Supervisory Board of the Group and other officers

	Year ended 31 December 2017	*Year ended 31 December 2016*
Management Board of the controlling entity		
Short-term employee allowances (salaries and mark-ups)	3,929	2,126
Supervisory Board of the controlling entity		
Short-term employee allowances (salaries and mark-ups)	349	327
Management Boards of subsidiaries		
Short-term employee allowances (salaries and mark-ups)	2,553	2,327
Total	**6,831**	**4,780**

	Year ended 31 December 2017	*Year ended 31 December 2016*
Short-term employee allowances (salaries and mark-ups)	5,827	4,638
Post-employment benefits		136
Total compensation paid to senior executives (except for members of the Management Board and the Supervisory Board)	**5,827**	**4,775**

39 Information on remuneration of the certified auditor or entity authorized to audit financial statements.

The following table presents remuneration of the entity authorized to audit financial statements paid or payable for the year ended 31 December 2016 and 31 December 2017:

	*Year ended 31 December 2017**	*Year ended 31 December 2016**
Mandatory audit of the Consolidated Financial Statements**	245	185
Audit of the Individual Financial Statements of the subsidiaries	109	111
Other services	-	23
Total	**354**	**208**

(in thousands of PLN)

* the amount concerns Separate and Consolidated Financial Statements of GOBARTO S.A. (does not cover the audit of the subsidiaries' financial statements)

**refers to Ernst & Young Audyt Polska sp. z o.o. sp. k.*

40 Objectives and rules of the financial risk management

The Group of companies manages the financial risk in a responsible and fully aware manner. The main types of risk arising from the Group's financial instruments include interest rate risk,

liquidity risk, foreign currency risk and credit risk. The Management Board reviews and arranges the policies for managing each of these risks - these policies are briefly discussed below. The Group also monitors the market price risk arising from all financial instruments it has.

The main financial instruments used by the Group include bank loans, financial leasing agreements and hire purchase contracts, cash and short-term deposits. The main purpose of using them is to get financing for the Group's operations. The Group has other financial instruments such as trading receivables and payables that arise directly from its operations.

40.1 Interest rate risk

The Company's exposure to risk due to changes in interest rates could affect primarily all long-term financial liabilities. The Group manages its interest cost by using a mix of fixed-rate and variable-rate liabilities. To ensure that the solution adopted by the Group is successful from the economic point of view, the Group concludes interest rate swaps, in which the Group agrees to exchange, at specified intervals, of the difference between the amount of interest charged at a fixed and floating interest rate on the agreed capital amount. These swaps are designated to hedge underlying debt obligations.

Interest rate risk - sensitivity to changes

The following table shows the sensitivity of financial result before tax to a reasonably possible changes in interest rates, with the assumption of all other variables held constant (in connection with liabilities with variable interest rate). The impact on the Group's equity is not presented.

Sensitivity analysis as at 31 December 2017	Amount at risk	Increase of the rate by 1%		Decrease of the rate by -1%	
		Impact on the financial result	Impact on other comprehensive revenues	Impact on the financial result	Impact on other comprehensive revenues
Financial assets	**62,090**	**621**	**-**	**- 621**	**-**
Cash and cash equivalents	62,090	621	-	- 621	-
Financial liabilities	**238,173**	**2,382**	**-**	**- 2,382**	**-**
Borrowings	198,266	1,983	-	- 1,983	-
Financial leasing	39,907	399	-	- 399	-
Impact on the financial result		**1,761**		**- 1,761**	

Sensitivity analysis as at 31 December 2016	Amount at risk	Increase of the rate by 1%		Decrease of the rate by -1%	
		Impact on the financial result	Impact on other comprehensive revenues	Impact on the financial result	Impact on other comprehensive revenues
Financial assets	**56,333**	**563**	**-**	**- 563**	**-**

(in thousands of PLN)

Cash and cash equivalents	56,333	563	-	- 563	-
Financial liabilities	**184,720**	**1,847**	**-**	**- 1,847**	**-**
Borrowings	168,638	1,686	-	- 1,686	-
Financial leasing	16,082	161	-	- 161	-
Impact on the financial result		**1,284**		**- 1,284**	

40.2 Exchange rate risk

The GOBARTO Company is both the exporter and importer and so it has an open currency translation position. Therefore, levels of the exchange rates influence the financial performance of Gobarto. Moreover it should be noted that strengthening of zloty against other currencies undermines the Company's competitiveness on foreign markets and has an adverse impact on the export development in the Company. It must be emphasized here that contracts concluded by the Company include clauses that allow quarterly price revisions on the grounds of the exchange rates fluctuations. On the other hand, weakening of the zloty exchange rate against foreign currencies improves the profitability of export sales. Investors' attention is drawn to the fact that in the past Gobarto S.A. entered into a series of foreign exchange transactions in respect of which it suffered a substantial loss both on the separate and the consolidated level. Currently, in order to secure the open currency translation position, the Company does not use any hedging transactions such as currency options, but it uses forward transactions only, but it may not be ruled out that in the future it will enter into some hedging transactions, which in case of unfavourable fluctuations of the exchange rate may have an adverse impact on the Company's financial performance.

(in thousands of PLN)

Year ended on 31 December 2017

Classes of financial instruments	Carrying amount in PLN	Amount at risk		exchange rate EUR/PLN +5%			exchange rate EUR/PLN -5%		
				Financial result		Capitals	Financial result		Capitals
Accounts receivable	143,543	22,815	EUR	1,141	EUR	- EUR	1,141	EUR	- EUR
Accounts payable	205,990	1,086	EUR	54	EUR	- EUR	54	EUR	- EUR

Classes of financial instruments	Carrying amount in PLN	Amount at risk		exchange rate USD/PLN +5%			exchange rate USD/PLN -5%		
				Financial result		Capitals	Financial result		Capitals
Accounts receivable	143,543	508	USD	25	USD	- USD	25	USD	- USD
Accounts payable	205,990	73	USD	4	USD	- USD	4	USD	- USD

Classes of financial instruments	Carrying amount in PLN	Amount at risk		exchange rate USD/PLN +5%			exchange rate USD/PLN -5%		
				Financial result		Capitals	Financial result		Capitals
Accounts receivable	143,543	1,746	CZK	87	CZK	-CZK	87	USD	-CZK
Accounts payable	205,990	44	CZK	2	CZK	-CZK	2	USD	-CZK

Classes of financial instruments	Carrying amount in PLN	Amount at risk		exchange rate USD/PLN +5%			exchange rate USD/PLN -5%		
				Financial result		Capitals	Financial result		Capitals
Accounts receivable	143,543	65	GBP	3	GBP	-GBP	3	USD	-GBP

Year ended on 31 December 2016

Classes of financial instruments	Carrying amount in PLN	Amount at risk		exchange rate EUR/PLN +5%			exchange rate EUR/PLN -5%		
				Financial result		Capitals	Financial result		Capitals
Accounts receivable	97,674	6,546	EUR	327	EUR	- EUR	327	EUR	- EUR
Accounts payable	147,790	2,609	EUR	130	EUR	- EUR	130	EUR	- EUR
Total									

Classes of financial instruments	Carrying amount in PLN	Amount at risk		exchange rate USD/PLN +5%			exchange rate USD/PLN -5%		
				Financial result		Capitals	Financial result		Capitals
Accounts receivable	97,674	664	USD	33	USD	- USD	33	USD	- USD
Accounts payable	147,790	44	USD	2	EUR	- USD	2	USD	- EUR

(in thousands of PLN)

40.3 Macroeconomic risk

Majority of the Group's sales takes place in Poland. Therefore, the results achieved by the Group are indirectly dependent on macroeconomic variables such as GDP growth, unemployment, inflation and interest rates as much as the wages growth rate. These factors influence the financial condition of any entities participating in the trade and the purchasing power of end customers. A possible slowdown of the economic growth and worsening of macroeconomic indices could act to disadvantage of the Group's financial results. The broadly understood food sector, in which the Group operates, is exposed to a lesser extent to a risk of recession than other industries, as the demand for a majority of foods, and particularly to meat, is rigid.

40.4 Credit risk

The Group trades with companies with good credit ratings. All customers who wish to use trade credits are subject to procedures of initial verification. Moreover, thanks to ongoing monitoring of receivables, the Group's exposure to bad debts is not significant. In relation to the Group's other financial assets such as cash and cash equivalents, financial assets available for sale and certain derivative instruments, the Group's credit risk arises from the default of the counterparty to pay, with a maximum exposure to this risk equal to the carrying amount of these instruments.

The Group has no significant concentrations of credit risk.

40.5 Liquidity risk

The Group monitors its risk of a shortage of funds by planning its liquidity. This tool takes into account the maturity of both investments and financial assets (e.g. accounts receivables, other financial assets) and projected cash flows from operating activities.

The Group's objective is to maintain a balance between continuity and flexibility of funding through the use of various sources of financing, such as bank overdrafts, bank loans, bonds, preference shares, financial leasing contracts and hire purchase contracts.

	Short-term ones		**Long-term ones**		
	up to 12 months	**over 1 year to 3 years**	**over 3 years to 5 years**	**over 5 years**	**Total liabilities**
State as at 31.12.2017					
Bank loans	179,309	18,957	-	-	198,266
Interest on bank loans	12,552	1,327	-	-	13,879
Financial leasing	12,590	19,698	5,492	-	37,780
Trading payables and other financial liabilities	205,990	-	-	-	205,990
Derivatives	-	-	-	-	-
Exposure at liquidity risk, total	**410,441**	**39,982**	**5,492**	**-**	**455,915**

(in thousands of PLN)

	Short-term ones	**Long-term ones**			
	up to 12 months	**over 1 year to 3 years**	**over 3 years to 5 years**	**over 5 years**	**Total liabilities**
State as at 31.12.2016					
Bank loans	113,135	47,765	3,145	4,594	168,638
Interest on bank loans	7,919	3,344	220	322	11,805
Financial leasing	3,812	9,089	1,507	-	14,408
Trading payables and other financial liabilities	147,790	-	-	-	147,790
Derivatives	68,625	-	-	-	68,625
Exposure at liquidity risk, total	**341,282**	**60,197**	**4,871**	**4,915**	**411,266**

41 Collaterals

The Group used some financial instruments that secure from the currency exchange risk, but it only used some forward transactions.

The fair value of hedging instruments as at 34.1 December 2017 and 31 December 2016 is presented in Note 34.1.

In order to reduce the volatility of the interest expenses incurred by the Group (causing deviations from the quotas adopted in the financial plans and budgets), the companies used Interest Rate Swap (IRS) derivative transactions. Through the use of IRS for the purpose of hedging against the interest rate risk, the Company will reach a steady level of the interest rate at which the interest expense was operated under the loans in a given period of time.

State as at 31 December 2017, the Group did not use any financial instruments to secure itself against the exchange rate risk.

42 Capital management

The main objective of the Group's capital management is to maintain a good credit rating and healthy capital ratios to support its operating business and maximize the Group's value for its shareholders.

The Group manages its capital structure and, as a result of changes in the economic conditions, amends it. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return the capital to its shareholders or issue new shares. In the year ended 31 December 2017 and 31 December 2016, there were no changes in respect of the objectives, policies and processes in respect of this area.

The Group monitors the capitals using a leverage ratio, which is calculated as the ratio of net debt to total equity plus net debt. The net debt includes interest-bearing loans and borrowings, trading payables and other liabilities, less cash and cash equivalents. The capital includes convertible preference shares and the equity payable to shareholders of the parent company less revenue reserves for unrealized net profits.

	31 December 2017	***31 December 2016***
Interest bearing borrowings	198,266	168,638
Trading payables and other liabilities	205,990	147,790
Minus cash and cash equivalents	62,090	56,333

(in thousands of PLN)

Net debt	**342,166**	**260,095**
Shareholders' equity	425,543	406,310
Total capital	**425,543**	**406,310**
Equity and net debt	767,709	666,405
Leverage ratio	**45%**	**39%**

43 Structure of employment

Average employment in the Group in the year ended 31 December 2017 and 31 December 2016 was as follows:

Group of employees	***Year ended 31 December 2017***	***Year ended 31 December 2016***
Management Board of the controlling entity	4	4
Management Boards of entities from the Group	13	13
Administration	396	289
Sales Department	442	270
Production division	1,587	544
Other	362	125
Total	**2,804**	**1,245**

44 Currency differences from translation

The currency differences from translation item includes the effect of the conversion of the financial data of foreign entities made in the functional currency of EUR and UAH to the presentation currency of the consolidated financial statements (i.e. PLN).

45 Events after the balance sheet date

45.1 Putting PorkPro sp. z o.o. s. k. in liquidation

On 1 January 2018, the Partners of PorkPro Polska sp. z o.o. s. k. adopted a resolution on opening of the partnership's liquidation in order to close it. The liquidation procedure will be performed under the company's business name with the appendix "w likwidacji" ("in liquidation").

45.2 Establishment of mortgages

On 3 March 2018, in the implementation of the provisions of the Bank Facilities Agreement concluded on 31 October 2017

with Bank Polska Kasa Opieki S.A. with its registered office in Warsaw, the competent district courts made, in their respective land and mortgage registers, the entry on the following instruments established by Gobarto S.A. and its direct and indirect subsidiaries, i.e. Agro Gobarto Sp. z o.o, Gobarto Dziczyzna Sp. z o.o., Agroferm Sp. z o.o., Agro Bieganów Sp. z o.o., Agro Net Sp. z o.o. , Rolpol Sp. z o.o. and Bioenergia Sp. z o.o.:

- a joint contractual mortgage up to the amount of PLN 317,753,610.00 in order to secure the Bank's claims under the Bank Facilities Agreement; and
- of a contractual joint mortgage up to:

(in thousands of PLN)

a) in case of Gobarto S.A. - PLN 9,100,000.00
b) in case of Agro Gobarto sp. z o.o. - PLN 845.000,00
c) in case of Gobarto Dziczyzna sp. z o.o. - PLN 1.560.000,00
d) in case of Agroferm sp. z o.o. - PLN 195.000,00
e) in case of Agro Bieganów sp. z o.o. - PLN 845.000,00
f) in case of Agro Net sp. z o.o. - PLN 292.500,00
g) in case of Rolpol sp. z o.o. - PLN 455,000.00 and
h) in case of Bioenergia sp. z o.o. - PLN 14.787.500,00

to secure the Bank's financial receivables under the hedging agreements entered into by the Company and its subsidiaries in connection with the Bank Facilities Agreement.

45.3 Sale of investment real property

On 28 February 2018, the Company sold a part of the investment property in Jaworze, 30,134 sq m out of 41,229 sq m, which is 73% of the area, for the price of PLN 3,960,000 gross.

45.4 Annex to Bank Loans Agreement

On 20 March 2018, the Company signed an annex to the Bank Loans Agreement of 31 October 2017 with the Bank, which specifies that the Bank accepts the lower level of the equity index to the balance sheet total. Details are described in Note 7.

The Management Board of GOBARTO S.A., the parent company

21 March 2018	Dariusz Formela	President of the Management Board	....
21 March 2018	Roman Miler	Vice-President of the Management Board	....
21 March 2018	Rafał Oleszak	Vice-President of the Management Board	....
21 March 2018	Przemysław Koźlakiewicz	Vice-President of the Management Board	....

Prepared by:

21 March 2018	Agnieszka Kabus	Chief Accountant	....