

LIMITED LIABILITY COMPANY "PURATOS UKRAINE"

FINANCIAL STATEMENTS

for the year ended 31 December 2023

CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
STATEMENT ON MANAGEMENT'S RESPONSIBILITY FOR INFORMATION AND APPROVAL OF FINANCIAL STATEMENTS	2
BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)	3
STATEMENT OF PROFIT AND LOSS (STATEMENT OF COMPREHENSIVE INCOME)	4
STATEMENT OF CASH FLOWS (CASH FLOW)	5
STATEMENT OF CHANGES IN EQUITY	6

LIMITED LIABILITY COMPANY "PURATOS UKRAINE"

FINANCIAL STATEMENTS

for the year ended 31 December 2023

with Independent Auditor's Report

1. Introduction	1
2. These financials	2
3. Basis of preparation	3
4. Summary of financials	4
5. Statement of financial position	5
6. Statement of profit and loss	6
7. Statement of cash flows	7
8. Statement of changes in equity	8
9. Notes to the financials	9
10. Management's discussion and analysis	10
11. Other information	11
12. Other accounting policies	12
13. Financial guarantees	13
14. Related parties	14
15. Subsequent events	15
16. Auditor's responsibility	16
17. Auditor's independence	17
18. Auditor's conclusions	18
19. Other information	19
20. Other accounting policies	20
21. Financial guarantees	21
22. Related parties	22
23. Subsequent events	23
24. Auditor's responsibility	24
25. Auditor's independence	25
26. Auditor's conclusions	26
27. Other information	27
28. Other accounting policies	28
29. Financial guarantees	29
30. Related parties	30
31. Subsequent events	31
32. Auditor's responsibility	32
33. Auditor's independence	33
34. Auditor's conclusions	34
35. Other information	35
36. Other accounting policies	36
37. Financial guarantees	37
38. Related parties	38
39. Subsequent events	39
40. Auditor's responsibility	40
41. Auditor's independence	41
42. Auditor's conclusions	42
43. Other information	43
44. Other accounting policies	44
45. Financial guarantees	45
46. Related parties	46
47. Subsequent events	47
48. Auditor's responsibility	48
49. Auditor's independence	49
50. Auditor's conclusions	50
51. Other information	51
52. Other accounting policies	52
53. Financial guarantees	53
54. Related parties	54
55. Subsequent events	55
56. Auditor's responsibility	56
57. Auditor's independence	57
58. Auditor's conclusions	58
59. Other information	59
60. Other accounting policies	60
61. Financial guarantees	61
62. Related parties	62
63. Subsequent events	63
64. Auditor's responsibility	64
65. Auditor's independence	65
66. Auditor's conclusions	66
67. Other information	67
68. Other accounting policies	68
69. Financial guarantees	69
70. Related parties	70
71. Subsequent events	71
72. Auditor's responsibility	72
73. Auditor's independence	73
74. Auditor's conclusions	74
75. Other information	75
76. Other accounting policies	76
77. Financial guarantees	77
78. Related parties	78
79. Subsequent events	79
80. Auditor's responsibility	80
81. Auditor's independence	81
82. Auditor's conclusions	82
83. Other information	83
84. Other accounting policies	84
85. Financial guarantees	85
86. Related parties	86
87. Subsequent events	87
88. Auditor's responsibility	88
89. Auditor's independence	89
90. Auditor's conclusions	90
91. Other information	91
92. Other accounting policies	92
93. Financial guarantees	93
94. Related parties	94
95. Subsequent events	95
96. Auditor's responsibility	96
97. Auditor's independence	97
98. Auditor's conclusions	98
99. Other information	99
100. Other accounting policies	100
101. Financial guarantees	101
102. Related parties	102
103. Subsequent events	103
104. Auditor's responsibility	104
105. Auditor's independence	105
106. Auditor's conclusions	106
107. Other information	107
108. Other accounting policies	108
109. Financial guarantees	109
110. Related parties	110
111. Subsequent events	111
112. Auditor's responsibility	112
113. Auditor's independence	113
114. Auditor's conclusions	114
115. Other information	115
116. Other accounting policies	116
117. Financial guarantees	117
118. Related parties	118
119. Subsequent events	119
120. Auditor's responsibility	120
121. Auditor's independence	121
122. Auditor's conclusions	122
123. Other information	123
124. Other accounting policies	124
125. Financial guarantees	125
126. Related parties	126
127. Subsequent events	127
128. Auditor's responsibility	128
129. Auditor's independence	129
130. Auditor's conclusions	130
131. Other information	131
132. Other accounting policies	132
133. Financial guarantees	133
134. Related parties	134
135. Subsequent events	135
136. Auditor's responsibility	136
137. Auditor's independence	137
138. Auditor's conclusions	138
139. Other information	139
140. Other accounting policies	140
141. Financial guarantees	141
142. Related parties	142
143. Subsequent events	143
144. Auditor's responsibility	144
145. Auditor's independence	145
146. Auditor's conclusions	146
147. Other information	147
148. Other accounting policies	148
149. Financial guarantees	149
150. Related parties	150
151. Subsequent events	151
152. Auditor's responsibility	152
153. Auditor's independence	153
154. Auditor's conclusions	154
155. Other information	155
156. Other accounting policies	156
157. Financial guarantees	157
158. Related parties	158
159. Subsequent events	159
160. Auditor's responsibility	160
161. Auditor's independence	161
162. Auditor's conclusions	162
163. Other information	163
164. Other accounting policies	164
165. Financial guarantees	165
166. Related parties	166
167. Subsequent events	167
168. Auditor's responsibility	168
169. Auditor's independence	169
170. Auditor's conclusions	170
171. Other information	171
172. Other accounting policies	172
173. Financial guarantees	173
174. Related parties	174
175. Subsequent events	175
176. Auditor's responsibility	176
177. Auditor's independence	177
178. Auditor's conclusions	178
179. Other information	179
180. Other accounting policies	180
181. Financial guarantees	181
182. Related parties	182
183. Subsequent events	183
184. Auditor's responsibility	184
185. Auditor's independence	185
186. Auditor's conclusions	186
187. Other information	187
188. Other accounting policies	188
189. Financial guarantees	189
190. Related parties	190
191. Subsequent events	191
192. Auditor's responsibility	192
193. Auditor's independence	193
194. Auditor's conclusions	194
195. Other information	195
196. Other accounting policies	196
197. Financial guarantees	197
198. Related parties	198
199. Subsequent events	199
200. Auditor's responsibility	200
201. Auditor's independence	201
202. Auditor's conclusions	202
203. Other information	203
204. Other accounting policies	204
205. Financial guarantees	205
206. Related parties	206
207. Subsequent events	207
208. Auditor's responsibility	208
209. Auditor's independence	209
210. Auditor's conclusions	210
211. Other information	211
212. Other accounting policies	212
213. Financial guarantees	213
214. Related parties	214
215. Subsequent events	215
216. Auditor's responsibility	216
217. Auditor's independence	217
218. Auditor's conclusions	218
219. Other information	219
220. Other accounting policies	220
221. Financial guarantees	221
222. Related parties	222
223. Subsequent events	223
224. Auditor's responsibility	224
225. Auditor's independence	225
226. Auditor's conclusions	226
227. Other information	227
228. Other accounting policies	228
229. Financial guarantees	229
230. Related parties	230
231. Subsequent events	231
232. Auditor's responsibility	232
233. Auditor's independence	233
234. Auditor's conclusions	234
235. Other information	235
236. Other accounting policies	236
237. Financial guarantees	237
238. Related parties	238
239. Subsequent events	239
240. Auditor's responsibility	240
241. Auditor's independence	241
242. Auditor's conclusions	242
243. Other information	243
244. Other accounting policies	244
245. Financial guarantees	245
246. Related parties	246
247. Subsequent events	247
248. Auditor's responsibility	248
249. Auditor's independence	249
250. Auditor's conclusions	250
251. Other information	251
252. Other accounting policies	252
253. Financial guarantees	253
254. Related parties	254
255. Subsequent events	255
256. Auditor's responsibility	256
257. Auditor's independence	257
258. Auditor's conclusions	258
259. Other information	259
260. Other accounting policies	260
261. Financial guarantees	261
262. Related parties	262
263. Subsequent events	263
264. Auditor's responsibility	264
265. Auditor's independence	265
266. Auditor's conclusions	266
267. Other information	267
268. Other accounting policies	268
269. Financial guarantees	269
270. Related parties	270
271. Subsequent events	271
272. Auditor's responsibility	272
273. Auditor's independence	273
274. Auditor's conclusions	274
275. Other information	275
276. Other accounting policies	276
277. Financial guarantees	277
278. Related parties	278
279. Subsequent events	279
280. Auditor's responsibility	280
281. Auditor's independence	281
282. Auditor's conclusions	282
283. Other information	283
284. Other accounting policies	284
285. Financial guarantees	285
286. Related parties	286
287. Subsequent events	287
288. Auditor's responsibility	288
289. Auditor's independence	289
290. Auditor's conclusions	290
291. Other information	291
292. Other accounting policies	292
293. Financial guarantees	293
294. Related parties	294
295. Subsequent events	295
296. Auditor's responsibility	296
297. Auditor's independence	297
298. Auditor's conclusions	298
299. Other information	299
300. Other accounting policies	300
301. Financial guarantees	301
302. Related parties	302
303. Subsequent events	303
304. Auditor's responsibility	304
305. Auditor's independence	305
306. Auditor's conclusions	306
307. Other information	307
308. Other accounting policies	308
309. Financial guarantees	309
310. Related parties	310
311. Subsequent events	311
312. Auditor's responsibility	312
313. Auditor's independence	313
314. Auditor's conclusions	314
315. Other information	315
316. Other accounting policies	316
317. Financial guarantees	317
318. Related parties	318
319. Subsequent events	319
320. Auditor's responsibility	320
321. Auditor's independence	321
322. Auditor's conclusions	322
323. Other information	323
324. Other accounting policies	324
325. Financial guarantees	325
326. Related parties	326
327. Subsequent events	327
328. Auditor's responsibility	328
329. Auditor's independence	329
330. Auditor's conclusions	330
331. Other information	331
332. Other accounting policies	332
333. Financial guarantees	333
334. Related parties	334
335. Subsequent events	335
336. Auditor's responsibility	336
337. Auditor's independence	337
338. Auditor's conclusions	338
339. Other information	339
340. Other accounting policies	340
341. Financial guarantees	341
342. Related parties	342
343. Subsequent events	343
344. Auditor's responsibility	344
345. Auditor's independence	345
346. Auditor's conclusions	346
347. Other information	347
348. Other accounting policies	348
349. Financial guarantees	349
350. Related parties	350
351. Subsequent events	351
352. Auditor's responsibility	352
353. Auditor's independence	353
354. Auditor's conclusions	354
355. Other information	355
356. Other accounting policies	356
357. Financial guarantees	357
358. Related parties	358
359. Subsequent events	359
360. Auditor's responsibility	360
361. Auditor's independence	361
362. Auditor's conclusions	362
363. Other information	363
364. Other accounting policies	364
365. Financial guarantees	365
366. Related parties	366
367. Subsequent events	367
368. Auditor's responsibility	368
369. Auditor's independence	369
370. Auditor's conclusions	370
371. Other information	371
372. Other accounting policies	372
373. Financial guarantees	373
374. Related parties	374
375. Subsequent events	375
376. Auditor's responsibility	376
377. Auditor's independence	377
378. Auditor's conclusions	378
379. Other information	379
380. Other accounting policies	380
381. Financial guarantees	381
382. Related parties	382
383. Subsequent events	383
384. Auditor's responsibility	384
385. Auditor's independence	385
386. Auditor's conclusions	386
387. Other information	387
388. Other accounting policies	388
389. Financial guarantees	389
390. Related parties	390
391. Subsequent events	391
392. Auditor's responsibility	392
393. Auditor's independence	393
394. Auditor's conclusions	394
395. Other information	395
396. Other accounting policies	396
397. Financial guarantees	397
398. Related parties	398
399. Subsequent events	399
400. Auditor's responsibility	400
401. Auditor's independence	401
402. Auditor's conclusions	402
403. Other information	403
404. Other accounting policies	404
405. Financial guarantees	405
406. Related parties	406
407. Subsequent events	407
408. Auditor's responsibility	408
409. Auditor's independence	409
410. Auditor's conclusions	410
411. Other information	411
412. Other accounting policies	412
413. Financial guarantees	413
414. Related parties	414
415. Subsequent events	415
416. Auditor's responsibility	416
417. Auditor's independence	417
418. Auditor's conclusions	418
419. Other information	419
420. Other accounting policies	420
421. Financial guarantees	421
422. Related parties	422
423. Subsequent events	423
424. Auditor's responsibility	424
425. Auditor's independence	425
426. Auditor's conclusions	426
427. Other information	427
428. Other accounting policies	428
429. Financial guarantees	429
430. Related parties	430
431. Subsequent events	431
432. Auditor's responsibility	432
433. Auditor's independence	433
434. Auditor's conclusions	434
435. Other information	435
436. Other accounting policies	436
437. Financial guarantees	437
438. Related parties	438
439. Subsequent events	439
440. Auditor's responsibility	440
441. Auditor's independence	441
442. Auditor's conclusions	442
443. Other information	443
444. Other accounting policies	444
445. Financial guarantees	445
446. Related parties	446
447. Subsequent events	447
448. Auditor's responsibility	448
449. Auditor's independence	449
450. Auditor's conclusions	450
451. Other information	451
452. Other accounting policies	452
453. Financial guarantees	453
454. Related parties	454
455. Subsequent events	455
456. Auditor's responsibility	456
457. Auditor's independence	457
458. Auditor's conclusions	458
459. Other information	459
460. Other accounting policies	460
461. Financial guarantees	461
462. Related parties	462
463. Subsequent events	463
464. Auditor's responsibility	464
465. Auditor's independence	465
466. Auditor's conclusions	466
467. Other information	467
468. Other accounting policies	468
469. Financial guarantees	469
470. Related parties	470
471. Subsequent events	471
472. Auditor's responsibility	472
473. Auditor's independence	473
474. Auditor's conclusions	474
475. Other information	475
476. Other accounting policies	476
477. Financial guarantees	477
478. Related parties	478
479. Subsequent events	479
480. Auditor's responsibility	480
481. Auditor's independence	481
482. Auditor's conclusions	482
483. Other information	483
484. Other accounting policies	484
485. Financial guarantees	485
486. Related parties	486
487. Subsequent events	487
488. Auditor's responsibility	488
489. Auditor's independence	489
490. Auditor's conclusions	490
491. Other information	491
492. Other accounting policies	492
493. Financial guarantees	493
494. Related parties	494
495. Subsequent events	495
496. Auditor's responsibility	496
497. Auditor's independence	497
498. Auditor's conclusions	498
499. Other information	499
500. Other accounting policies	500
501. Financial guarantees	501
502. Related parties	502
503. Subsequent events	503
504. Auditor's responsibility	504
505. Auditor's independence	505
506. Auditor's conclusions	506
507. Other information	507
508. Other accounting policies	508
509. Financial guarantees	509
510. Related parties	510
511. Subsequent events	511

FINANCIAL STATEMENTS

for the year ended 31 December 2023

CONTENTS

PAGES

INDEPENDENT AUDITOR'S REPORT	
STATEMENT ON MANAGEMENT'S RESPONSIBILITY FOR PREPARATION AND APPROVAL OF FINANCIAL STATEMENTS	3
BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)	4
STATEMENT OF PROFIT AND LOSS (STATEMENT OF COMPREHENSIVE INCOME)	6
STATEMENT OF CASH FLOWS (direct method)	8
STATEMENT OF CHANGES IN EQUITY	9
NOTES TO THE FINANCIAL STATEMENTS	10
1. Information about the Company and its core activities	10
2. Company's operating environment in Ukraine	10
3. Basis of preparation	11
4. Summary of significant accounting policies	13
5. Standards issued but not yet effective	23
6. Intangible assets	23
7. Property, plant and equipment	24
8. Construction-in-progress	26
9. Inventories	26
10. Trade receivables	26
11. Cash and cash equivalents	27
12. Authorized capital	28
13. Long-term provisions	28
14. Short-term bank loans	28
15. Trade payables	28
16. Current provisions	29
17. Revenue	29
18. Cost of sales	29
19. Other operating income	30
20. Administrative expenses	30
21. Selling expenses	30
22. Other operating expenses	31
23. Financial expenses	31
24. Income tax	31
25. Additional information to the statement of cash flows	32
26. Transactions with related parties	32
27. Contingent and contractual liabilities	33
28. Fair value of financial instruments	33
29. Financial risk management	34
30. Events after the reporting date	36

Other information

Management is responsible for the other information. The other information includes the information provided in the financial statements and the financial statements and the financial statements.

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INDEPENDENT AUDITOR'S REPORT

To the Management and Owners of Limited Liability Company "Puratos Ukraine"

Opinion

We have audited the financial statements of *Limited Liability Company "Puratos Ukraine"* (the Company) which comprise the balance sheet (statement of financial position) as at 31 December 2023, and the statement of profit and loss (statement of comprehensive income), statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Ukrainian legislation on financial reporting.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Ukraine, and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Notes 2 and 3 to the financial statements that describe the impact of the ongoing military invasion of the Russian Federation and economic instability in Ukraine and the principal assumptions on the Company's going concern. These events or conditions, along with other matters specified in these notes, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises the information included in the management report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to review the management report, which is prepared in accordance with the law, and, in doing so, consider whether there is a material discrepancy between the financial information in the management report and the financial statements for the reporting period and/or other information, obtained by us during the audit, or whether that financial information appears to be materially misstated. If, based on the work we have performed, we conclude that there are material misstatements in the management report, we are required to describe and disclose the nature of such misstatements. We have nothing to report in this regard.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and the requirements of the Ukrainian legislation on financial reporting, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless owners either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Engagement partner on the audit resulting in this independent auditor's report is Oleksandr Bilyk. Registration number in the Register of Auditors and Audit Firms: 160517

Oleksandr Bilyk on behalf of Nexia DK Audit LLC
Kyiv, 9 July 2024



STATEMENT ON MANAGEMENT'S RESPONSIBILITY FOR PREPARATION AND APPROVAL OF FINANCIAL STATEMENTS

The hereinafter statement, which should be read together with the description of the duties of the independent auditor, included in the above presented independent auditor's report, is made in order to differentiate between the responsibilities of the management of Limited Liability Company "Puratos Ukraine" (hereinafter referred to as the "Company") and mentioned independent auditor as to the financial statements of the Company.

Management of the Company is responsible for the preparation of the financial statements that present fairly, in all material respects, the financial position of the Company as of 31 December 2023, and its financial performance and cash flows for the year ended 31 December 2023 in accordance with International Financial Reporting Standards (hereinafter referred to as "IFRS").

In the course of preparation of the financial statements the management of the Company is responsible for:

- Selecting, applying, and consistent application of appropriate accounting policies;
- Applying reasonable estimates and assumptions;
- Following the respective IFRS and disclosure of all material deviations from IFRS in the notes to the financial statements;
- Preparation of the financial statements based on the assumption that the Company will continue as a going concern except for the cases when such assumption is illegal.

Management is also responsible for:

- Designing, implementing, and maintaining effective and reliable internal control;
- Support of the accounting system which enables to prepare the information concerning the financial position of the Company with an appropriate level of accuracy at any time and guarantee the compliance of the financial statements with the requirements of IFRS;
- Taking measures within their competence in order to ensure the safekeeping of the assets of the Company;
- Prevention and detection of frauds and other abuses.

The financial statements of the Company as of 31 December 2023 were approved by management on 9 July 2024.

(Signature)

Director / Serhiy Solovet
(Position / Name)

Stamp here



(Signature)

Chief accountant / Svitlana Hulinska
(Position / Name)

LIMITED LIABILITY COMPANY "PURATOS UKRAINE"

FINANCIAL STATEMENTS

for the year ended 31 December 2023

Entity: **LIMITED LIABILITY COMPANY "PURATOS UKRAINE"**

Territory: Odesa region

Type of an entity: Limited Liability Company

Type of economic activity: Wholesale of other food, including fish, crustaceans and mollusks

Average number of employees: 93

Measuring unit: Thousands of UAH

Address: st. Chornomorskohe Kozats'tva, 115, Odesa, Odesa region, 65003

Date (year month day)

acc. to EDRPOU

acc. to KOATUU

acc. to KOPFG

acc. to KVED

CODES

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BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

as of 31 December 2023

Form № 1 DKUD

1801001

Assets	Item No	Notes	At the beginning of the year	At the end of the year
1	2	3	4	5
I. Non-current assets				
Intangible assets:	1000	6	1 747	1 533
cost	1001		5 121	5 554
accumulated amortization	1002		3 374	4 021
Construction-in-progress	1005	8	2 444	1 133
Property, Plant and Equipment:	1010	7	98 384	118 499
cost	1011		197 362	234 434
accumulated depreciation	1012		98 978	115 935
Deferred tax assets	1045	25	3 190	139
Total, Non-current assets	1095		105 765	121 304
II. Current assets				
Inventories	1100	9	63 169	94 534
Raw materials and supplies	1101		31 856	39 418
work in progress	1102		773	699
finished goods	1103		12 170	28 236
merchandise	1104		18 370	26 181
Trade receivables	1125	10	16 237	11 120
Receivables from:				
prepayments	1130		5 998	3 073
State budget	1135		5 682	472
including income tax prepaid	1136		367	-
Receivables from accrued income	1140		38	45
Other receivables	1155		-	5 331
Current financial investments	1160		-	41 093
Cash and cash equivalents	1165	11	64 279	62 294
current bank accounts	1167		64 279	62 294
cash in transit	1168		-	-
Deferred expenses	1170		417	798
Other current assets	1190		359	196
Total, Current assets	1195		156 179	218 956
III. Non-current assets held for sale and discontinued operations	1200		-	-
TOTAL	1300		261 944	340 260

These financial statements should be read in conjunction with the annexed notes which form its integral part.

FINANCIAL STATEMENTS

for the year ended 31 December 2023

Liabilities	Item No	Notes	At the beginning of the year	At the end of the year
1	2	3	4	5
I. Equity				
Authorized capital	1400	12	159 912	159 912
Accumulated deficit	1420		1 668	24 774
Total, Equity	1495		161 580	184 686
II. Long-term liabilities and provisions				
Other long-term liabilities	1515	7	46 925	69 515
Long-term provisions	1520	13	1 526	1 585
Total, Long-term liabilities and provisions	1595		48 451	71 100
III. Current liabilities				
Short-term bank loans	1600	14	-	-
Payables for:				
long-term liabilities	1610	7	715	2 045
trade payables	1615	15	39 395	63 518
payables to state budget	1620		3 515	5 174
including income tax payable	1621		-	1 189
payables for insurance	1625		164	197
payables to employees	1630		909	1 201
advances received	1635		2	424
Current provisions	1660	16	7 213	11 881
Other current liabilities	1690			34
Total, Current liabilities	1695		51 913	84 474
IV. Liabilities associated with non-current assets held for sale and discontinued operations	1700		-	-
Net asset value of a non-state pension fund	1800		-	-
TOTAL	1900		261 944	340 260

Director



Serhii Solovei

Chief Accountant

Svitlana Hulinska

FINANCIAL STATEMENTS

for the year ended 31 December 2023

STATEMENT OF PROFIT AND LOSS
(STATEMENT OF COMPREHENSIVE INCOME)
for the year 2023

Form № 2

DKUD

1801003

I. PROFIT AND LOSS

Item	Item No	Notes	For reporting period	For the previous period
1	2	3	4	5
Revenue	2000	17	697 412	435 357
Cost of sales	2050	18	(526 984)	(328 066)
Gross:	2090		170 428	107 291
Profit				
Loss	2095		-	-
Other operating income	2120	19	6 363	5 796
Administrative expenses	2130	20	(21 391)	(20 084)
Selling expenses	2150	21	(73 146)	(58 013)
Other operating expenses	2180	22	(47 772)	(39 999)
Result from operating activities:	2190		34 482	-
Profit				
Loss	2195		-	(5 009)
Other financial income	2220		358	25
Other income	2240		3 561	-
Financial expenses	2250	23	(10 157)	(11 736)
Other expenses	2270		(66)	(38)
Result before income tax:	2290		28 178	-
Profit				
Loss	2295		-	(16 758)
Income tax	2300	24	(5 072)	3 016
Net result for the year:	2350		23 106	-
Profit				
Loss	2355		-	(13 742)

II. OTHER COMPREHENSIVE INCOME

Item	Item No	Notes	For reporting period	For the previous period
1	2	3	4	5
Other comprehensive income before income tax	2450		-	-
Income tax on other comprehensive income	2455		-	-
Other comprehensive income after tax	2460		-	-
Comprehensive income (Items 2350, 2355 and 2460)	2465		23 106	(13 742)

These financial statements should be read in conjunction with the annexed notes which form its integral part.

FINANCIAL STATEMENTS

for the year ended 31 December 2023

III. OPERATING EXPENSES

Item	Item No	Notes	For reporting period	For the previous period
1	2	3	4	5
Cost of materials used	2500		505 621	290 750
Payroll	2505		57 791	45 808
Social insurance contributions	2510		11 519	8 667
Depreciation and amortization	2515		17 958	17 203
Other operating expenses	2520		76 404	83 734
Total	2550		669 293	446 162

IV. EARNINGS PER SHARE

Item	Item No	Notes	For reporting period	For the previous period
1	2	3	4	5
Average number of ordinary shares	2600		-	-
Diluted average number of ordinary shares	2605		-	-
Earnings per share	2610		-	-
Diluted earnings per share	2615		-	-
Dividends per share	2650		-	-

Director

Chief Accountant



Serhii Solovei

Svitlana Hulinska

FINANCIAL STATEMENTS

for the year ended 31 December 2023

STATEMENT OF CASH FLOWS (direct method)
for the year 2023

		Form № 3	DKUD code	1801004
Item	Item No	Notes	For reporting period	For the previous period
1	2	3	4	5
I. Cash flows from operating activities				
Proceeds from:				
Revenue	3000		432 047	391 140
Refund of taxes and fees	3005		-	-
Including value added tax	3006		-	-
Special-purpose financing	3010		94	273
Receipt of advances from customers	3015		405 373	202 157
Return of advances	3020		894	392
Interest on current accounts balances	3025		3 087	250
Penalties (fines) received	3035		-	1
Other receipts	3095		613	34
Disbursements for:				
Goods (works, services)	3100		(456 089)	(309 452)
Labor	3105		(42 888)	(35 231)
Payroll taxes	3110		(10 143)	(7 949)
Taxes and charges	3115		(35 896)	(30 118)
Payment of income tax	3116		(465)	(1 500)
Payment of VAT	3117		(24 360)	(19 300)
Payment of other taxes and charges	3118		(11 071)	(9 318)
Payment of advances	3135		(234 183)	(197 001)
Payment for return of advances	3140		(411)	(831)
Other payments	3190	25	(12 573)	(10 605)
Net cash flow from operating activities	3195		49 925	3 060
II. Cash flows from investing activities				
Proceeds from sales:				
Non-current assets	3205		-	-
Acquisition costs: financial investments	3255		(37 227)	-
Payments for: Non-current assets	3260		(11 818)	(3 564)
Net cash flows from investing activities	3295		(49 045)	(3 564)
III. Cash flows from financing activities				
Proceeds from loans and borrowings	3305	14	-	266 500
Repayment of borrowings	3350	14	-	(266 500)
Payment of interests	3360	14	(773)	(1 821)
Other payments	3390		(1 463)	(605)
Net cash flows from financing activities	3395		(2 236)	(2 426)
Net cash flow for the reporting period	3400		(1 356)	(2 930)
Cash balance at the beginning of the year	3405		64 279	61 725
Net effect of changes in foreign exchange rates on the cash balance	3410		(629)	5 484
Cash balance at the end of the year	3415		62 294	64 279

Director

Serhii Solovei

Chief Accountant

Svitlana Hulinska

These financial statements should be read in conjunction with the annexed notes which form its integral part.

LIMITED LIABILITY COMPANY "PURATOS UKRAINE"

FINANCIAL STATEMENTS

for the year ended 31 December 2023

STATEMENT OF CHANGES IN EQUITY
for the year 2023

Form № 4

DKUD

1801005

Item	Item No	Authorized capital	Revaluation surplus	Additional capital	Capital reserves	Accumulated deficit	Unpaid capital	Treasury shares	Total
1	2	3	4	5	6	7	8	9	10
At the beginning of the year	4000	159 912	-	-	-	1 668	-	-	161 580
At the beginning of the year, adjusted	4095	159 912	-	-	-	1 668	-	-	161 580
Net result for the year	4100	-	-	-	-	23 106	-	-	23 106
Total changes in capital	4295	-	-	-	-	23 106	-	-	23 106
At the end of the year	4300	159 912	-	-	-	24 774	-	-	184 686

STATEMENT OF CHANGES IN EQUITY
for the year 2022

Item	Item No	Authorized capital	Revaluation surplus	Additional capital	Capital reserves	Accumulated deficit	Unpaid capital	Treasury shares	Total
1	2	3	4	5	6	7	8	9	10
At the beginning of the year	4000	159 912	-	-	-	15 410	-	-	175 322
At the beginning of the year, adjusted	4095	159 912	-	-	-	15 410	-	-	175 322
Net result for the year	4100	-	-	-	-	(13 742)	-	-	(13 742)
Total changes in capital	4295	-	-	-	-	(13 742)	-	-	(13 742)
At the end of the year	4300	159 912	-	-	-	1 668	-	-	161 580

Director

Chief Accountant

Serhi Solovet

Svitlana Hulin'ska



These financial statements should be read in conjunction with the annexed notes which form its integral part.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

(in thousands of UAH, unless otherwise stated)

1. Information about the Company and its core activities

Puratos Group is an international group of companies that offers a full range of innovative products, raw materials, and experience in the bakery, confectionery, and chocolate industries. The headquarters of the Group is located near Brussels (Belgium), where the company was founded in 1919. A century later, products and services are available in more than 100 countries around the world and, in many cases, are produced by a network of local subsidiaries.

The Puratos Group has had a representative office in Ukraine for over 15 years. Limited Liability Company "Puratos Ukraine" ("the Company") was registered on 28 November 2005. On 16 May 2016, a new modern plant of the Group was opened in the Odesa region. In particular, the Company produces: margarine, leavens, fillings, dry bakery mixes, improvers, glazes and coatings.

On 30 November 2022, the Company created a Puratos Ukraine bakery industry renovation fund (BIRF). Which was founded for the material and technological support of Ukrainian enterprises in the bakery and confectionery industries that suffered as a result of Russian aggression. The main goal of the BIRF is to restore damaged production lines and purchase raw materials for production.

The Company's legal address is: 65003, Odesa region, Odesa, Chomomorskoho Kozatstva street, 115.
In 2023 the average headcount of the Company was 93 employees (2022: 97 employees).

2. Company's operating environment in Ukraine

The Ukrainian economy, as before, is characterized by the signs and risks of a market with a transition economy. Such features include, but are not limited to, the low level of liquidity in the capital markets, the relatively high level of inflation and the presence of currency controls, which do not allow the national currency to be a liquid means of payment outside of Ukraine. The stability of Ukraine's economy largely depends on the government's policies and actions aimed at reforming the administrative and legal systems, as well as the economy as a whole.

In recent years, against the background of the restriction of political and economic ties with the Russian Federation, Ukraine has reoriented its economy to close cooperation with the countries of the European Union ("EU"), realizing the potential of the established Deep and Comprehensive Free Trade Area ("DCFTA") with the EU.

From the end of 2019 to 2022, the global and Ukrainian economies were negatively affected by the spread of the COVID-19 coronavirus, but in 2023, the pandemic no longer had a noticeable impact on the economic situation in the country and the Company's operational processes in particular.

Starting from February 24, 2022, large-scale hostilities related to the invasion of the Russian Federation continue in Ukraine. This attack is a continuation of the Russian-Ukrainian war, which was started by the Russian Federation with the seizure of Crimea in February-March 2014 and the war in certain areas of Luhansk and Donetsk regions since April 2014.

As a result of the military invasion of the Russian Federation, full-scale hostilities broke out and continue on a large territory, covering a number of regions of Northern, Eastern and Southern Ukraine. The airspace is closed to civil aviation; objects of military and civilian infrastructure throughout the territory of Ukraine are regularly subjected to rocket and bomb attacks, artillery shelling. In Ukraine, starting from February 24, 2022, martial law is in effect continuously.

After the heavy human, infrastructural and financial losses suffered since the beginning of the war, Ukraine's economy gradually recovered during 2023. This became possible thanks to the high adaptability of business and the population to the conditions of the war and a favourable fiscal policy supported by large-scale international financing. In the IV quarter of the reporting year, real GDP growth exceeded expectations primarily due to higher harvests of late crops and the development of alternative export routes. This became the basis for improving the estimate of real GDP growth in general for 2023 - up to 5.7% (compared to the drop in 2022 by 29.2%).

Despite ongoing hostilities, core inflation also slowed to 4.9% in 2023 (2022: 26.6%). This became possible thanks to the provision of exchange rate stability and attractiveness of hryvnia assets by the NBU and significant financial assistance from foreign partner countries.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

(in thousands of UAH, unless otherwise stated)

2. The Company's operating environment (continued)

The main risks for economic development and business activity in Ukraine are a longer term and/or a possible expansion of the theatre of operations, a decrease in international financial and military aid. These risks may limit or make impossible the Company's business activities in Ukraine. However, as of the end of the reporting year, the Company's normal operations have not been disrupted, and there are no active hostilities in the region where the Company's main assets are located.

The stabilization of the military, political and economic situation largely depends on the success of the joint efforts of Ukraine and the international community, but at the moment it is difficult to predict the further development of events, including the functioning of management bodies, enterprises and organizations in Ukraine.

The financial statements reflect the current assessment of the Company's management of the military, political and economic situation in Ukraine and its potential impact on the Company's activities and financial condition. Further changes in the situation in the country may differ significantly from the management's assessment.

3. Basis of preparation**3.1. Statement of compliance**

These financial statements were prepared according to the International Financial Reporting Standards ("IFRS"), approved by the International Accounting Standards Board ("IASB"), as well as the interpretations issued by the IFRS Interpretations Committee ("IFRIC").

3.2. Basis for measurement and preparation

These financial statements have been prepared on the basis of accrual and historical cost.

In practice, the substance of transactions and other circumstances and events does not always conform to the legal form. The Company arranged and maintains records and reflects business transactions and other events according to their substance and economic nature, not merely their legal form.

3.3. Reporting period

The reporting period for the preparation of the financial statements of the Company is a calendar year. The interim financial statements are prepared quarterly in a condensed format.

3.4. Functional and presentation currency

The functional currency of the Company is Ukrainian Hryvnia ("UAH"), being the currency of the environment in which all business transactions are performed. Operations in currencies other than the functional currency of the Company are considered to be transactions in foreign currencies.

Transactions in foreign currency are translated in the presentation currency by converting the amount in foreign currency using the exchange rate at the beginning of the day at the date of transaction.

The Company recognizes exchange differences on monetary balances in foreign currency at the reporting date, as well as at the date of the transaction within the reporting period.

The exchange rate of UAH against the currencies in which the Company had balances in previous years was as follows:

	As of 31.12.2023	Average for 2023	As of 31.12.2022	Average for 2022
UAH/ USD	37,9824	36,5738	36,5686	32,3423
UAH/ EUR	42,2079	39,5582	38,9510	33,9820

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023
(in thousands of UAH, unless otherwise stated)
3. Basis of preparation (continued)

The financial statements are prepared in the national currency of Ukraine - the Ukrainian hryvnia. Amounts are given in thousands of hryvnias (thousands of UAH), unless otherwise stated.

3.5. Significant judgements, accounting estimates and assumptions of management

Preparation of the financial statements in accordance with IFRS requires the management of the Company to make judgments, estimates and assumptions that affect the application of accounting policies, and the amounts of assets, liabilities, income and expenses recognized in the financial statements, and the disclosure of information about contingent assets and liabilities.

Management's estimates and assumptions are based on the information available at the date of preparation of the financial statements. Actual results can differ from the current estimates. These estimates and assumptions are reviewed periodically, and, if adjustments are necessary, such adjustments are presented in the statement of profit and loss in the period in which they became known. Information on the most significant accounting estimates and assumptions of the Company's management is presented below.

Impairment of property, plant and equipment

At each reporting date, the Company assesses whether there are indicators of possible impairment of a specific asset or group of assets forming a cash-generating unit. The evaluation of impairment of property, plant, and equipment requires the application of estimates which include determining the reason, time, and amount of impairment.

The estimation of impairment is based on a number of factors such as a change in the current competitive environment, the expectation of the expansion of industry, increase in capital cost, changes in future accessibility of financing, technological deterioration, termination of a certain type of activity, current cost of reimbursement, and other changes in circumstances leading to the impairment recognition.

Useful lives of property, plant, and equipment

The Company estimates the remaining useful lives of property, plant, and equipment at the end of each financial year. If new expectations differ from previous estimates, these changes are considered to be a change in accounting estimates and are accounted for prospectively. These estimates can have a material influence on the carrying amount of property, plant, and equipment and a depreciation charge recognized in the statement of profit and loss.

Valuation of inventories

Inventories are measured at a lower of cost and net realizable value. In determining the net realizable value of its inventories, management makes an estimate based on various assumptions, including current market prices. At each reporting date, the Company values its inventories and, if necessary, writes them off to their net realizable value. Accordingly, the Company makes assumptions about the future use of inventories. These assumptions are based on information about inventory obsolescence.

Determining the lease term of contracts with renewal and termination option

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised.

Incremental borrowing rate

In the absence of information about imbedded interest rate under lease agreements, the Company applies its incremental borrowing rate. For the purposes of these financial statements, the rates offered by the Company's banks in the same periods as the inception / modification of the lease agreements were used.

Related party transactions

In the ordinary course of business, the Company engages in related party transactions. IFRS 9 requires financial instruments to be accounted for at initial recognition at fair value. In the absence of an active market for transactions in such instruments, professional judgment is used to determine whether such transactions were carried out at market or non-market rates. The basis for such judgments is the pricing of similar types of transactions with unrelated parties and the analysis of the effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

(in thousands of UAH, unless otherwise stated)

3. Basis of preparation (continued)*Going concern assumption*

In the near future, the Company will continue to be affected by the unstable economy in the country. As a result, there is uncertainty that may affect future operations and the ability to recover the value of the Company's assets, its ability to service and repay its obligations as they fall due.

The Company's financial statements are prepared based on the assumption of its future operation, which provides for the realization of assets and the fulfilment of obligations in the course of ordinary activities. Therefore, these financial statements do not include any adjustments that might occur if the Company were unable to continue as a going concern in the future and if it did not dispose of its assets in the ordinary course of business.

It is expected that the war will affect the Company's financial results, but it is impossible to make a reliable estimate of such an effect on the financial statements. Management does not intend to liquidate the Company or cease its operations and expects the Company to be able to operate for at least 12 months from the date of these financial statements.

The ongoing military invasion of the Russian Federation into Ukraine and the associated economic downturn and decline in business activity increase uncertainty, which negatively affects the forecast of financial results for the coming year. In addition, other events and conditions set forth in Note 2 indicate the existence of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

3.6. Application of new and revised IFRS

The accounting policies applied in the preparation of these financial statements are consistent with those followed in the preparation of the annual financial statements for the year ended 31 December 2023. The Company has not applied any other standard, interpretation or amendment that has been issued but is not yet effective.

Although these amendments apply for the first time in 2023, they did not have a material impact on the financial statements of the Company. The nature and the impact of each amendment are described below:

Standard/ Interpretation	Contents	Impact
IFRS 17	Insurance Contracts	None
Amendments to IFRS 4	Extension of the temporary exemption from applying IFRS 9 Financial Instruments	None
Amendments to IAS 8	Definition of Accounting Estimates	None
Amendments to IAS 1 and IFRS PS 2	Disclosure of Accounting Policies	No significant impact
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from Single Transaction	No significant impact
Amendments to IAS 12	Temporary exception to the requirements regarding deferred tax assets and liabilities recognition and disclosure related to pillar two income taxes	None

4. Summary of significant accounting policies

These financial statements have been prepared in accordance with IFRS effective at the reporting date. The main principles of the accounting policy which have been used while preparing these financial statements are presented below.

Classification into non-current (long-term) and current (short-term)

The Company presents assets and liabilities in its statement of financial position based on the classification into non-current and current assets and long-term and short-term liabilities. The Company classifies an asset as current if:

- the asset is expected to be realized or the Company intends to sell or consume it during its normal operating cycle;
- the asset is held mainly for sale;
- the Company expects to sell the asset within twelve months after the reporting date;

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

(in thousands of UAH, unless otherwise stated)

4. Summary of significant accounting policies (continued)

- an asset is cash or cash equivalents unless there is a restriction on the exchange or use of that asset to repay a liability for at least twelve months after the reporting date.

All other assets are classified as non-current.

The Company classifies a liability as current (short-term) if:

- the Company expects to repay this liability during its normal operating cycle;
- the liability is held primarily for sale;
- the liability is repayable within twelve months after the reporting date;
- the Company has no unconditional right to defer repayment of the liability for at least twelve months after the reporting date.

All other liabilities are classified as non-current (long-term).

Deferred tax assets and liabilities are classified as non-current assets and non-current liabilities.

Fair value measurement

Fair value measurement assumes that an asset or liability is exchanged between market participants in a normal sale of an asset or a transfer of a liability at the measurement date under current market conditions.

Fair value measurement assumes that the sale of an asset or the transfer of liability occurs either:

- a) at the main market for that asset or liability; or
- b) in the absence of the main market, the most favourable market for that asset or liability.

The main or most favourable market should be available to the Company.

The fair value of an asset or liability is measured using assumptions that market participants use in pricing the asset or liability assuming that they are acting in their economic interest.

The fair value measurement of a non-financial asset takes into account the ability of the market participant to generate economic benefits through the most profitable and best use of the asset or by selling it to another market participant who will use that asset in the most profitable and best way.

The Company uses valuation approaches that correspond to the circumstances and for which there is sufficient data to measure fair value, making maximum use of the input data from open sources of information and minimizing use of internally generated input data.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are classified within the fair value hierarchy described below based on the lowest level inputs that are important to the fair value measurement as a whole:

- Level 1 - quotation prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation methods for which input data (other than quotation prices classified as Level 1) can be observed for an asset or liability, directly or indirectly;
- Level 3 - valuation techniques for which the input data to the asset or liability is not publicly available.

External valuers have been involved in measuring the fair value of certain groups of property, plant and equipment at the date of transition to IFRSs. Criteria for selecting valuers include market knowledge, reputation, independence and adherence to professional standards.

In order to disclose the fair value, the Company has determined classes of assets and liabilities based on the characteristics and risks of the assets or liabilities and the level of the fair value hierarchy, as explained above.

Revenue recognition

The Company is engaged in the production and wholesale of ingredients for bread, confectionery and chocolate production in the domestic market of Ukraine, as well as for export.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

(in thousands of UAH, unless otherwise stated)

4. Summary of significant accounting policies (continued)

The Company's contracts with buyers, as a rule, contain one performance obligation (sale of products) or two performance obligations (sale of products and its delivery). Revenue from contracts with customers is recognized when control of the goods or services has been transferred to the buyer in an amount that reflects the consideration, the Company expects to be entitled to in exchange for the goods or services provided to customers. The Company concluded that in most contracts it acts as a principal if it controls the goods and services until the transfer of its customers.

The following recognition criteria should be met before revenue is recognized:

Sale of products/goods

Sales revenue is recognized when control of an asset is transferred to the buyer, usually after the sale of the goods.

Revenue is recognized at the fair value of the consideration received, which is usually equal to the transaction price. If the transaction price, specified in the contract, includes a variable compensation, the Company should estimate the amount of compensation to which it will be entitled in exchange for the transfer of the promised goods to the customer. Variable compensation is determined by the Company at the inception of the contract and is recognized only if there is a high probability that when the uncertainty associated with variable compensation is mainly resolved, a significant reversal in the amount of recognized cumulative revenue from ordinary activities will not take place.

Generally, the Company receives short-term advances from its customers, or sells goods on credit terms for a period of 30 to 90 days. Using the practical technique in IFRS 15, the Company does not adjust the promised amount of consideration for a significant financing component if it expects, at the inception of the contract, that the period between the transfer of the promised good or service to the customer and payment for the good or service is one year or less.

Variable consideration

Some sales contracts give customers the right to return products and/or bonuses, percentage discounts of the sales price of products depending on certain factors. The Company recognizes revenue from the sale of products measured at the fair value of the consideration received or to be received, less the amount of expected returns and discounts. If revenue cannot be reliably estimated, the Company defers revenue recognition until the uncertainty is resolved. Variable consideration is estimated at the time the contract is entered into and remains in place until the associated uncertainty is subsequently resolved.

Contract balances*Contract assets*

A contract asset is a right to consideration in exchange for goods or services transferred to the customer. If the Company satisfies its performance obligation by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. The Company has no contractual assets in the ordinary course of business, as control is generally transferred at the time the Company obtains an unconditional right to payment.

Trade receivables

At initial recognition the Company measures trade receivables at their transaction price if the trade receivables do not contain a significant financing component in accordance with IFRS 15. After initial recognition, receivables are measured at amortized cost using the effective interest rate method, less allowance for expected credit losses.

The Company measures the expected credit loss allowance for trade receivables and contract assets in an amount equal to lifetime expected credit losses by using an allowance matrix. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of profit or loss. When a trade receivable or a contract asset is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

(in thousands of UAH, unless otherwise stated)

4. Summary of significant accounting policies (continued)

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company satisfies performance obligations.

Recognition of other income and expenses

Other income and expenses are recognized in the financial statements in the period in which they take place on an accrual basis and according to the matching concept irrespective of the date of cash receipt or payment.

Expenses are recognized as expenses of a certain period simultaneously with the recognition of income to generate which they are incurred. Expenses that cannot be directly related to the income of a certain period are recognized as expenses of the reporting period in which they were incurred. If an asset provides economic benefits over several reporting periods, the costs are recognized by systematically allocating its value between the relevant reporting periods.

Taxes

Current income tax

Current income tax assets and liabilities for the respective period are measured at the amount expected to be recovered from or paid to the taxation authorities according to Ukrainian legislation. The tax rates and tax laws used to compute the amount of tax are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss.

Deferred income tax

Deferred tax is recognised on all temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, unused tax benefits and unused tax losses carried forward to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax benefits and unused tax losses carried forward can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

(In thousands of UAH, unless otherwise stated)

4. Summary of significant accounting policies (continued)

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

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

Value Added Tax

Income, expenses, and assets are recognized net of value-added tax (VAT), except for the below cases:

- VAT that arises on purchase of assets or services that is not refunded by the tax authority; in this case VAT is recognized as part of cost of purchase of an asset or part of the expense item, depending on the circumstances;
- receivables and payables comprise the VAT amount.

Property, plant, and equipment

At initial recognition, property, plant and equipment are recognized at cost. The cost of property, plant and equipment consists of the cost of their acquisition, including non-refundable taxes, as well as any costs associated with bringing the assets into working condition and their delivery to the place of use. Replacements and improvements that significantly extend the useful lives of assets are capitalized, and maintenance costs are recognized as an expense as incurred.

After initial recognition, property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Construction in progress includes construction and reconstruction costs of property, plant and equipment and unfinished capital investments. At the reporting date, construction in progress is stated at cost less any accumulated impairment losses. Construction in progress is not depreciated until the asset is ready for use.

Property, plant and equipment are depreciated on a straight-line basis over their expected useful lives. Depreciation of an asset begins when it is ready-to-use, i.e., when it is delivered to the location of its use and brought into a ready-to-use condition, but not earlier than the month following the month in which the asset has been commissioned (inputted into operation).

Property, plant and equipment are classified into the following groups:

	Useful life, months
Buildings	240-360
Machinery and equipment	60
Transport vehicles	60
Computer and network equipment	36
Fixture and fittings and other fixed assets	48-60

The residual value, the useful life and depreciation method are reviewed and, if necessary, adjusted at the end of each financial year.

Intangible assets

Intangible assets acquired by the Company that have finite useful lives are carried at cost less accumulated depreciation and accumulated impairment losses.

Subsequent expenses are capitalized only when they increase future economic benefits inherent to the particular assets to which they relate. All other expenses including goodwill and expenses for trademarks created by the Company are recognized in profit or loss in the period they were incurred.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

(in thousands of UAH, unless otherwise stated)

4. Summary of significant accounting policies (continued)

Depreciation is charged on the cost of the asset less residual value. Depreciation is recognized in profit or loss using straight-line method over the estimated useful lives of intangible assets.

The estimated useful lives of intangible assets are as follows:

	Useful life
Intangible assets	3-10 years

The residual value, the useful life and depreciation method are reviewed and, if necessary, adjusted at the end of each financial year.

Impairment of assets

Assets with an indefinite useful life are not subject to depreciation and are tested annually for impairment.

Assets subject to depreciation are assessed for impairment whenever any events or changes in circumstances indicate that the carrying amount of an asset may exceed its recoverable amount.

For the purpose of the impairment assessment, the assets are grouped into the smallest groups for which it is possible to allocate separately identifiable cash flows (cash-generating units).

The asset is impaired when the carrying value of the asset exceeds its recoverable amount. An impairment loss is recognized in the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of two evaluations of an asset (or cash-generating unit): fair value less costs to sell and its value-in-use.

Borrowing costs

Borrowing costs include interest expense and other borrowing costs. The Company capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are recognized by the Company as an expense in the period in which they are incurred.

Inventories

Inventories are initially recognised at acquisition cost, including costs incurred in bringing the inventories to their present location and condition. The inventories are written off under the weighted average cost method.

At the reporting date inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Cash and cash equivalents

Cash and cash equivalents comprise cash in bank and short-term deposits with an original maturity of less than three months.

The statement of cash flows is prepared using the direct method.

Financial assets*Initial recognition and measurement*

Financial assets within the scope of IFRS 9 are classified as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortized cost.

Except for trade and other receivables at initial recognition, the Company measures a financial asset at its fair value minus (in the case of a financial asset not at fair value through profit or loss) transaction costs that are directly attributable to the acquisition of the financial asset.

At initial recognition, the Company allocates financial assets to the respective category. Unless the Company changes its business model for managing financial assets, the Company does not change the category chosen on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

(in thousands of UAH, unless otherwise stated)

4. Summary of significant accounting policies (continued)

Subsequent measurement

Subsequently, a financial asset is measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income.

The Company does not have financial assets measured at fair value. The Company's financial assets at amortized cost comprise trade and other receivables, cash and cash equivalents.

Trade and other receivables

The Company classifies trade and other receivables as financial assets at amortized cost if both of the following conditions are met:

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

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Impairment of financial assets

The Company recognises an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables, the Company applies a simplified approach to estimating the allowance for expected credit losses. Under this approach, the Company does not track changes in credit risks, instead the Company recognizes the lifetime expected credit losses of the financial asset at each reporting date. The Company uses an allowance matrix that takes into account the Company's historical credit loss experience adjusted for forecast information about debtors or changes in the economic environment.

The Company believes that the default of a financial asset takes place when the contractual cash flows are overdue for 180 days or more. However, in certain cases, the Company may recognize a default on a financial asset when available internal or external indicators indicate that the Company will not receive an outstanding portion of the contract amount in full before taking into account for the credit enhancement available. If the Company has no reasonable expectation that it will receive contractual cash flows from a financial asset, the asset is derecognised.

Derecognition

A financial asset (or a part of a financial asset, if applicable) is derecognised when:

- a) the contractual rights to receive cash flows from the asset have expired;
- b) the Company retains the contractual rights to receive the cash flows of a financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients without material delay under a 'pass-through' arrangement; and either
 - i) the Company has transferred substantially all the risks and rewards of the asset, or
 - ii) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In this case the relevant commitment for payment of received cash to the final recipient is retained.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has created or retained.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

(in thousands of UAH, unless otherwise stated)

4. Summary of significant accounting policies (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, or as other financial liabilities which are recognised at amortised cost using the effective interest rate method.

The Company measures a financial liability at its fair value plus (in the case of a financial liability not at fair value through profit or loss) transaction costs that are directly attributable to the issue of the financial liability.

On initial recognition of financial liabilities, the Company allocates them to a respective category. Subsequent reclassification of financial liabilities is not allowed.

The Company's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

Subsequent measurement

The influence of the classification of financial liabilities in case of their initial recognition on their subsequent measurement is described as follows:

Loans and borrowings and trade and other payables

Loans and borrowings and trade and other payables are the most relevant category of financial liabilities to the Company. After initial recognition, loans and payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

Amortised cost is calculated by taking into account any discounts or premiums on acquisition and fees or costs that are an integral part. The EIR amortisation is included as finance costs in the statement of comprehensive income.

Derecognition

A financial liability (or part of it) is extinguished when the debtor either:

- i) discharges the liability (or part of it) by paying the creditor, normally with cash, other financial assets, goods or services; or
- ii) is legally released from primary responsibility for the liability (or part of it) either by process of law or by the creditor. (If the debtor has given a guarantee this condition may still be met).

Offsetting of financial instruments

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

Provisions

The amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

If the Company expects some or all of a provision to be reimbursed the reimbursement is recognized as a separate asset but only when this reimbursement becomes probable. The amount of declared reimbursement should not exceed the amount of the provision recognized.

The expense relating to any provision is recognized in the statement of comprehensive income net of any reimbursement. In cases when the influence of the time value of money is significant, the amount of the provision has to be the present value of expenditures which, as expected, will be necessary to repay the liability. The pre-tax discount has to reflect current market estimates of the time value of money and risks attributable to the liability. If the discounting is used, the increase in the amount of the provision in the subsequent periods is recognized as financial expenses in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

(In thousands of UAH, unless otherwise stated)

4. Summary of significant accounting policies (continued)

Leases

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at the inception of the contract.

The Company recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments.

In respect of short-term leases (12 months or less) and leases of low-value assets, the Company recognizes respective lease expenses within operating expenses on a straight-line basis over the term of the lease in accordance with the requirements of IFRS 16.

The Company measures the lease liability at the present value of the lease payments that are not paid at the commencement date, discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. The incremental borrowing rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with similar collateral the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

After initial recognition, a lease liability is increased by reflecting interest on the lease liability (using the effective interest method) and decreased by reflecting lease payments made. The Company recognises interest on lease liabilities within interest expenses in the statement profit or loss.

At the date of commencement of the lease, Company measures right-of-use asset at a cost which consists of:

- a) the amount of the initial measurement of the lease liabilities,
- b) any lease payments made on or before the lease date, less incentives received to rent,
- c) any initial direct costs incurred by the Company,
- d) estimates of the costs to be incurred by the Company in dismantling and relocating the underlying asset to restore its location or restore the underlying asset to the condition required by the lease, unless such costs are incurred to produce inventories.

The Company recognizes depreciation of the right-of-use assets and interest on lease liability in profit or loss. Right-of-use assets are depreciated over the period of the lease term. The depreciation starts at the commencement date of the lease. The Company recognizes depreciation of right-of-use assets based on the contract term, considering the option to extend the lease.

The Company presents its right-of-use assets within other non-current assets.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Dividends

The Company recognizes a liability to pay dividends to a participant when it is approved by the members of the Company.

Pension plan liabilities

With the exception of contributions to the State pension system of Ukraine, the Company has no other pension schemes. The general State pension system provides for the employer to make current contributions in the amount of a certain percentage of current gross wage payments; such costs are included in profit or loss in the period in which the respective compensation was earned by the employee. The Company has no obligation to pay post-retirement or significant other compensatory payments that require accruals.

Contingent liabilities and contingent assets

Contingent liabilities are not recognised in the financial statements unless there is the possibility of an outflow of resources embodying economic benefits for a liability repayment and a reliable estimate of such liabilities can be made. The information on contingent liabilities is disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

(in thousands of UAH, unless otherwise stated)

4. Summary of significant accounting policies (continued)

Contingent assets are not recognized in the financial statements but they are disclosed when an inflow of economic benefits is possible. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements of the period in which the change occurs.

Transactions with related parties

The parties are considered to be related if one party has a possibility to control the other party or influence it significantly when making financial or operational decisions. This definition of a related party may differ from the one under the Ukrainian legislation.

As defined by IAS 24 "Related party disclosures" related parties represent:

- a) A person or a close member of that person's family is related to a reporting entity if that person:
 - i) has control or joint control over the reporting entity;
 - ii) has significant influence over the reporting entity; or
 - iii) is a member of the key management of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions apply:
 - i) the entity and the reporting entity are members of the same Company (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Company of which the other entity is a member);
 - iii) both entities are joint ventures of the same third party;
 - iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
 - vi) the entity is controlled or jointly controlled by a person identified in (a);
 - vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Reporting segments

An operating segment is a component of an entity:

- a) engaged in an economic activity from which it can earn income and bear costs (including income and expenses related to transactions with other components of the same entity);
- b) the operating results of which are regularly reviewed by the entity's senior operating officer to decide on the resources to be allocated to the segment and to evaluate the results of its operations; and
- c) about which discrete financial information is available.

The Company does not believe that there are operating segments in its operations that meet most of the criteria set out in IFRS 8 Operating Segments.

Events after reporting date

Events, which took place after the reporting date and prior to the date of approval of the financial statements which provide additional information regarding the financial statements of the Company, are reflected in the financial statements. The events which took place from the end of the reporting period to the date of approval of the financial statements which certify about the conditions that arose after the reporting period and which do not influence the financial statements of the Company as of the reporting date, are disclosed in notes to the financial statements if these events are significant.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023
(in thousands of UAH, unless otherwise stated)
5. Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below.

Standard/ Interpretation	Contents	Effective date	Probable impact
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current	1 January 2024	No significant impact
Amendments to IAS 1	Non-current Liabilities with Covenants	1 January 2024	No significant impact
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024	None
Amendments to IAS 7 and IFRS 7	Disclosure requirements for supplier finance arrangements	1 January 2024	None
Amendments to IAS 21	Lack of Exchangeability	1 January 2025	None
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	effective date of the amendments has yet to be set by the IASB	None
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027	Impact has not yet been defined

The Company does not plan to apply any standards that are not yet mandatory nor any amendments to standards that are not yet mandatory ahead of their effective dates.

6. Intangible assets

The following is information on the movement of Intangible assets for 2023:

	Intangible assets
Cost	
As of 31 December 2021	4 388
Additions	733
Disposals	-
As of 31 December 2022	5 121
Additions	433
Disposals	-
As of 31 December 2023	5 554
Accumulated amortization	
As of 31 December 2021	2 547
Charge for the period	827
Disposals	-
As of 31 December 2022	3 374
Charge for the period	647
Disposals	-
As of 31 December 2023	4 021
Carrying amount	
As of 31 December 2021	1 841
As of 31 December 2022	1 747
As of 31 December 2023	1 533

As of 31 December 2023 and 31 December 2022, Intangible assets were mainly represented by capitalized costs for commercial software, licenses. Amortization of Intangible assets is mainly included in administrative expenses.

LIMITED LIABILITY COMPANY "PURATOS UKRAINE"

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023
(in thousands of UAH, unless otherwise stated)
7. Property, plant and equipment

The following is information on the movement of property, plant and equipment for the years ended 31 December 2023 and 31 December 2022:

	Buildings	Machinery and equipment	Transport vehicles	Fixture and fittings	Other fixed assets	Total
Cost						
As of 31 December 2021	167	90 710	7 865	11 808	83 324	193 874
Additions	373	3 328	-	150	-	3 851
Disposals	-	(11)	(352)	-	-	(363)
Other changes	70 822	-	-	-	(70 822)	-
As of 31 December 2022	71 362	94 027	7 513	11 958	12 502	197 362
Additions	26 061	10 494	-	234	702	37 491
Disposals	-	(66)	-	(194)	(159)	(419)
Other changes	-	-	510	-	(510)	-
As of 31 December 2023	97 423	104 455	8 023	11 998	12 535	234 434
Accumulated depreciation						
As of 31 December 2021	39	45 937	7 365	8 607	20 978	82 926
Charge for the period	3 563	10 258	419	1 198	938	16 376
Disposals	-	(10)	(314)	-	-	(324)
Other changes	16 078	-	-	-	(16 078)	-
As of 31 December 2022	19 680	56 185	7 470	9 805	5 838	98 978
Charge for the period	4 714	10 467	306	807	1 016	17 310
Disposals	-	(66)	-	(194)	(93)	(353)
As of 31 December 2023	24 394	66 586	7 776	10 418	6 761	115 935
Carrying amount						
As of 31 December 2021	128	44 773	500	3 201	62 346	110 948
As of 31 December 2022	51 682	37 842	43	2 153	6 664	98 384
As of 31 December 2023	73 029	37 869	247	1 580	5 774	118 499

Additions for the year are represented by assets transferred from the category of construction-in-progress.
As of 31 December 2023, property, plant and equipment with a cost of UAH 26 708 thousand were fully depreciated, but still in use (31 December 2022: UAH 13 956 thousand).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023
(in thousands of UAH, unless otherwise stated)
7. Property, plant and equipment (continued)

Leases

Property, plant and equipment include right-of-use assets in accordance with IFRS 16 Leases.

The Company rents premises for office and production needs. The contract was extended in 2019 and as of 31 December 2023, the remaining lease term was 13 years.

The following is the carrying amount the Company's right-of-use assets and lease liabilities as of 31 December 2023 and 2022, and movement for the period:

	Buildings	Transport vehicles	Total
Right-of-use assets			
As of January 1, 2021	42 257	854	43 111
Depreciation and amortization	(2 426)	(379)	(2 805)
Disposals	-	(475)	(475)
As of 31 December 2021	39 831	-	39 831
Charge for the period	(2 426)	-	(2 426)
As of 31 December 2022	37 405	-	37 405
Charge for the period	(3 548)	-	(3 548)
Modification	25 383	-	25 383
As of 31 December 2023	59 240	-	59 240

Right-of-use assets are reported in line 1010 "Property, plant and equipment" of the statement of financial position and presented in the respective group of property, plant and equipment.

	Short-term lease liabilities	Long-term lease liabilities	Total
Lease liabilities			
As of January 1, 2021	671	48 245	48 916
Financial expenses	8 153	-	8 153
Lease payments	(8 824)	-	(8 824)
Reclassification by maturity	605	(605)	-
As of 31 December 2021	605	47 640	48 245
Financial expenses	8 060	-	8 060
Lease payments	(8 665)	-	(8 665)
Reclassification due to maturity of debt	715	(715)	-
As of 31 December 2022	715	46 925	47 640
Financial expenses	8 252	-	8 252
Lease payments	(9 715)	-	(9 715)
Reclassification due to maturity of debt	2 045	(2 045)	-
Modification	748	24 635	25 383
As of 31 December 2023	2 045	69 515	71 560

The long-term portion of lease liabilities is presented in line 1515 "Other long-term liabilities", and the short-term portion - in line 1610 "Current payables for long-term liabilities".

A reconciliation of lease liabilities to future minimum lease payments is provided below:

	31.12.2023	31.12.2022
Future minimum lease payments, including:		
up to 1 year	10 240	8 665
from 1 to 5 years	40 958	34 661
more than 5 years	96 422	90 264
Less: future interest leases payments	(76 060)	(85 950)
	71 560	47 640

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023
(in thousands of UAH, unless otherwise stated)

8. Construction-in-progress

	31.12.2023	31.12.2022
Property, plant and equipment	716	1 935
Prepayments for non-current assets	417	509
	1 133	2 444

9. Inventories

	31.12.2023	31.12.2022
Raw materials	34 573	27 701
Finished goods	28 632	12 661
Merchandise in stock	26 307	21 055
Package and materials for packaging	2 760	2 465
Semi-finished goods	1 607	1 690
Spare parts	699	773
Other inventories	727	715
Reserve for impairment	(771)	(3 891)
	94 534	63 169

10. Trade receivables

	31.12.2023	31.12.2022
Trade receivables from local customers	9 900	16 587
Trade receivables from foreign customers	1 220	-
Allowance for expected credit losses	-	(350)
	11 120	16 237

As at 31 December 2023, trade and other receivables are interest-free and are repaid in the ordinary course of business of the Company.

The Company applies the simplified approach to the creation of allowance for expected credit losses, provided by IFRS 9, which allows the accrual of the allowance for expected credit losses for the entire term of the instrument for all assets in the category "Trade and other receivables".

To estimate the expected credit loss, trade and other receivables are grouped according to the similar characteristics of credit risk and the number of days overdue. Expected credit loss levels are based on sales payment schedules 12 months before each reporting date and similar historical credit losses incurred during that period.

Historical loss levels are adjusted for current and projected information about macroeconomic factors that affect customers' ability to repay receivables. Allowance for expected credit losses for trade and other receivables is determined according to the allowance matrix, which is shown in the table below. The allowance matrix is based on the number of days overdue of the asset.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023
(in thousands of UAH, unless otherwise stated)
10. Trade receivables (continued)

The analysis of trade and other receivables by maturity as of 31 December 2023 is presented below:

	Total	Neither past due nor impaired	Past due				
			up to 30 days	31-90 days	91-180 days	181-365 days	over 365 days
Nominal value	11 120	10 730	390	-	-	-	-
Expected losses rate	-	-	0-5%	0-10%	50%	100%	100%
Expected credit losses	-	-	-	-	-	-	-

The analysis of trade and other receivables by maturity as of 31 December 2022 is presented below:

	Total	Neither past due nor impaired	Past due				
			up to 30 days	31-90 days	91-180 days	181-365 days	over 365 days
Nominal value	16 587	13 031	3 206	-	-	350	-
Expected losses rate	-	-	0-5%	0-10%	50%	100%	100%
Expected credit losses	350	-	-	-	-	350	-

11. Cash and cash equivalents

As of 31 December, cash and cash equivalents were presented as follows:

	31.12.2023	31.12.2022
Cash in bank	62 294	26 425
Deposit accounts in the bank	-	37 854
	62 294	64 279

As of 31 December, cash in bank was denominated in the following currencies:

	31.12.2023	31.12.2022
USD	-	37 854
UAH	61 718	26 425
EUR	576	-
	62 294	64 279

For cash and cash equivalents, expected credit losses were assessed on the basis of external credit ratings and statistical information on non-performance and repayment of such financial instruments.

In assessing whether cash and cash equivalents are impaired, the Company considers the following factors:

- significant financial difficulties of the bank;
- breach of contract, such as default or late payment for the contract for more than a few days;
- bankruptcy or other financial reorganization of the bank becomes probable.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023
(in thousands of UAH, unless otherwise stated)
12. Authorized capital

As of 31 December 2023, the declared, registered and fully paid authorized capital amounted to UAH 159 912 thousand (31.12.2022: UAH 159 912 thousand). The authorized capital of the Company belongs to the owners indicated in the table in the following shares:

	31.12.2023, %	31.12.2022, %
PURATOS NV, Belgium	100	100

13. Long-term provisions

Long-term provisions for payments to employees:

	2023	2022
As of 1 January	1 526	1 792
Accrued during period	780	935
Used during period	(721)	(1 201)
As of 31 December	1 585	1 526

14. Short-term bank loans

Changes in liabilities arisen from financial activities for the year ended 31 December 2023 and 31 December 2022 are presented as follows:

	Short-term bank loans	Interest	Total
As of 31 December 2021	-	-	-
<i>Cash transactions</i>			
Proceeds from loans	266 500	-	266 500
Repayment of loans	(266 500)	-	(266 500)
Payment of interests	-	(1 821)	(1 821)
<i>Non-cash transactions:</i>			
Accrued interest	-	1 821	1 821
As of 31 December 2022	-	-	-
As of 31 December 2023	-	-	-

15. Trade payables

	31.12.2023	31.12.2022
Payables for goods and services	42 862	25 729
Other payables	20 239	13 157
Payables for property, plant and equipment	417	509
	63 518	39 395

Trade payables are mainly represented by liabilities for the delivered goods.
Trade payables are unsecured financial liabilities. Payable due to Ukrainian counterparties are usually repaid within 60-100 days after recognition.

The fair value of trade payables is approximately equal to their carrying amount.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023
(in thousands of UAH, unless otherwise stated)
16. Current provisions

As of 31 December current provisions included:

	31.12.2023	31.12.2022
Provisions for bonuses to employees	9 099	5 272
Provision for unused vacations	2 782	1 941
	11 881	7 213

The movement in provision for unused vacations for the period was as follows:

	2023	2022
As of 1 January	1 941	917
Accrued	4 576	3 582
Used	(3 735)	(2 558)
As of 31 December	2 782	1 941

The following expected terms of repayment are determined for the Company's provisions:

- Provision for unused vacations – within one year;
- Provision for year-end bonuses – within one year;
- Other long-term provisions for payments to employees – within five years.

17. Revenue

	2023	2022
Revenue from sales of finished goods	461 048	270 768
Revenue from sales of merchandise	236 364	164 589
	697 412	435 357

18. Cost of sales

	2023	2022
Cost of finished goods sold	345 127	218 102
Cost of merchandise sold	181 857	109 964
	526 984	328 066

The cost of finished goods sold by nature of expenses in the reporting is as follows:

	2023	2022
Materials	272 703	180 697
Depreciation and maintenance costs of property, plant and equipment	19 920	9 656
Salaries and related charges	16 276	17 724
Other expenses	36 228	10 025
	345 127	218 102

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023
(in thousands of UAH, unless otherwise stated)

19. Other operating income

	2023	2022
Income from accrued interest on cash balances	3 042	-
Revenue from the sale of waste	1 876	25
Exchange rate difference	-	5 489
Other operating income	1 445	282
	6 363	5 796

20. Administrative expenses

	2023	2022
Salaries and related charges	8 999	8 252
Professional fees	3 282	2 821
IT services	2 510	2 722
Bank services	1 632	875
Insurance	1 143	1 015
Depreciation and amortization	984	912
Security	857	852
Other staff costs	273	573
Material costs	238	173
Other expenses	1 473	1 889
	21 391	20 084

21. Selling expenses

	2023	2022
Salaries and related charges	36 199	26 606
Delivery expenses	8 353	8 309
IT services	7 687	7 085
External services	6 599	6 936
Material expenses	3 590	1 439
Other staff costs	2 902	2 041
Fuel	1 763	1 151
Fixed assets repairs and maintenance	771	528
Depreciation and amortization	741	993
Market intelligence	633	1 495
Customer seminars	563	233
Other expenses	3 345	1 197
	73 146	58 013

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023
(in thousands of UAH, unless otherwise stated)
22. Other operating expenses

	2023	2022
Royalty	18 802	451
Inventory impairment charges	6 519	4 685
Research costs	5 939	4 840
Expenses from buying/selling currency	3 892	13 467
Shortages from spoilage of values	1 764	1 327
Exchange rate difference	860	-
Accrual of a reserve under the reserve of doubtful debts	-	14 128
Other expenses	9 996	1 101
	47 772	39 999

23. Financial expenses

	2023	2022
Interest on lease liabilities	9 350	9 915
Interest on loans	807	1 821
	10 157	11 736

24. Income tax

The components of income tax expense consisted of:

	2023	2022
Current income tax expense	2 021	-
Deferred tax	3 051	(3 016)
	5 072	(3 016)

The reconciliation of income tax expense / (benefit) and the product of result before tax multiplied by the applicable tax rate for 2023 and 2022 is presented below:

	2023	2022
Profit / (loss) before tax	28 178	(16 758)
Income tax at tax rate applicable in Ukraine, 18%	5 072	(3 016)
Expenses / (income) not considered for tax purposes	-	-
Income tax expense	5 072	(3 016)

As of reporting dates the deferred taxes of the Company were as follows:

	31 December 2023	Statement of profit and loss Origination and reversal of temporary differences	1 January 2023
Deferred tax assets			
Provisions	139	(3 051)	3 190
Net deferred tax assets / (liabilities)	139	(3 051)	3 190

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

(in thousands of UAH, unless otherwise stated)

24. Income tax (continued)

	31 December 2022	Statement of profit and loss Origination and reversal of temporary differences	1 January 2022
Deferred tax assets			
Provisions	3 190	3 016	174
Net deferred tax assets / (liabilities)	3 190	3 016	174

As of the reporting dates presented in these financial statements, deferred taxes are calculated at the rates expected to be effective in the period of realization of the deferred tax asset or repayment of the deferred tax liability.

25. Additional information to the statement of cash flows

Cash flow from operating activities, other payments

	2023	2022
Interest paid	8 252	8 060
Costs of purchase and sale	2 206	1 383
Bank commission	1 524	853
Settlements with accountable persons	586	280
Other payments	5	29
	12 573	10 605

26. Transactions with related parties

For the purposes of these financial statements, the parties are considered related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions. When considering the relationship with each possible related party, attention is paid to the nature of the relationship, rather than their legal form.

Related parties may enter into transactions that are not always possible for unrelated parties, and the terms and amounts of transactions between related parties may not correspond to similar terms and amounts of transactions that take place between unrelated parties.

The Company's management (2 persons) received the following compensation for the years ended December 31, which is included in the salary and related charges in administrative expenses:

	2023	2022
Salaries and related charges	6 962	6 687

The Company had the following balances on related party transactions:

	31.12.2023	31.12.2022
Lease liabilities	71 560	47 640
Trade receivables	1 195	-
Trade payables	(12 343)	(18 772)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

(in thousands of UAH, unless otherwise stated)

26. Transactions with related parties (continued)

The Company had the following transactions with related parties:

	2023	2022
Purchase of goods and services	254 847	157 799
Royalty	18 802	451
Revenue	1 320	2 271

Other transactions with related parties

The Company leases the building from related parties and accounts for the leases in accordance with IFRS 16. Accordingly, as of 31 December 2023, rights-of-use assets and lease liabilities were recognized in the amount of UAH 34 979 thousand and UAH 46 925 thousand, respectively (Note 7) (31 December 2022: UAH 37 405 thousand and UAH 47 640 thousand, respectively). In 2023, the Company recognized the depreciation of the right-of-use asset in the amount of UAH 2 426 thousand (2022: UAH 2 426 thousand). Interest expenses were recognized in the amount of UAH 9 350 thousand (2022: UAH 9 915 thousand).

Terms of agreements with related parties

Purchase or sale agreements with related parties are made on market terms. Balances at the end of the year are unsecured, interest-free and are repaid in cash. The Company has not received (provided) any collateral or guarantees in respect of receivables or payables of related parties. For the year ended 31 December 2023, the Company did not record any impairment of receivables from related parties.

27. Contingent and contractual liabilities*Taxation*

Management believes that the Company has complied with all applicable tax legislation.

Legal issues

In the ordinary course of business, the Company is subject to legal proceedings and certain claims are made against it. In the opinion of the Company's management, the ultimate liability, if any, for such cases or claims will not have a material effect on the financial position or performance of the Company. As of 31 December 2023, and 2022, no significant claims have been made against the Company.

28. Fair value of financial instruments

Fair value disclosures in respect of financial instruments are made in accordance with the requirements of IFRS 7 "Financial Instruments: Disclosure" and IFRS 13 "Fair value measurement". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. Since no readily available market exists for a large part of the Company's financial instruments, judgment is necessary in arriving at fair value based on current economic conditions and specific risks attributable to the instrument. The management believes that the Company's financial assets and financial liabilities are categorized within the Level 3 of fair value hierarchy, except for short-term loans, which belong to the 2nd level of the hierarchy.

The Company's management believes that the carrying amount of financial assets and financial liabilities recognized in the financial statements is approximately equal to their fair value.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

(in thousands of UAH, unless otherwise stated)

28. Fair value of financial instruments (continued)**The main categories of financial instruments**

The main categories of financial instruments of the Company at their carrying values are as follows:

	31.12.2023	31.12.2022
Financial assets		
Trade receivables	11 120	16 237
Other receivables	5 331	-
Cash and cash equivalents	62 294	64 279
	78 745	80 516
Financial liabilities		
Lease liabilities	71 560	47 640
Trade payables	63 518	39 395
	135 078	87 035

During 2023 and 2022, there were no transfers between levels of the fair value hierarchy.

29. Financial risk management

The main risks inherent to the Company's financial instruments are credit risk (including concentration risk), liquidity risk and foreign currency risk. The Company's risk management policy focuses on the unpredictability of financial markets and aims to minimize potential negative consequences. The Company's approaches to managing each of these risks are set out below.

Credit and concentration risks

The Company faces credit risk that is determined as the risk that a customer may fail to fully repay its debt at its maturity. Financial assets that potentially expose the Company to material credit risk are trade and other receivables.

The maximum level of credit risk of the Company, as a whole, is represented in the carrying amount of financial assets, which is stated in the statement of financial position. The impact of possible offsets of assets and liabilities on the reduction of potential credit risk is insignificant.

Revenue from five largest customers accounted for 58% of the total revenue (2022: 54%). The balance of receivables of the five largest customers as of 31 December 2023 was 90% of the total balance of trade receivables (31 December 2022: 87%).

The average credit period for customers was: 2023 – 7 days, 2022 – 43 days.

The Company's policy on credit risk management is aimed at carrying out operations with contractors with positive reputation and credit history. The Company's cash and cash equivalents are mainly placed in leading Ukrainian banks with a solid reputation. In addition, receivables are constantly monitored in order to identify and respond in a timely manner to the deterioration of liquidity of the Company's counterparties.

Liquidity risk

Liquidity risk is the risk that the Company may face difficulties while repaying its financial liabilities. Increase in a risk level may arise when the maturity of assets and liabilities do not match, i.e., when the maturity of financial assets exceeds the maturity of financial liabilities.

The task of the Company's management is to keep balance between continual financing and sufficient cash and other highly liquid assets, and to keep a proper level of credit liabilities to suppliers and banks. The Company analyses its financial assets and liabilities in terms of maturity dates and plans its liquidity depending on the expected maturity dates of the respective financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

(in thousands of UAH, unless otherwise stated)

29. Financial risk management (continued)

The table below presents the Company's financial liabilities by type and expected maturity as of 31 December. The effect of interest on loans and borrowings that will be accrued is not taken into account, as the Company uses a short-term revolving loan and it is impossible to predict the amount of interest payable. It is expected that it will not be significant.

31.12.2023	Carrying amount	On demand	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Lease liabilities	71 560	-	2 166	6 499	34 661	81 599	124 925
Trade payables	63 518	-	63 518	-	-	-	63 518
	135 078	-	65 684	6 499	34 661	81 599	188 443

31.12.2022	Carrying amount	On demand	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Lease liabilities	47 640	-	2 164	6 491	34 661	90 264	133 580
Trade payables	39 395	-	39 395	-	-	-	39 395
	87 035	-	41 559	6 491	34 661	90 264	172 975

Foreign currency risk

The Company's currency risk arises mainly from receivables due from foreign customers, as well as accounts payable due to foreign suppliers.

The Company's foreign exchange risk management procedures include constant monitoring of exchange rate dynamics in the local and international foreign exchange markets.

The table below shows the concentration of foreign currency risk as at the reporting dates presented in these financial statements:

31.12.2023	EUR	USD
<i>Financial assets</i>		
Cash and cash equivalents	576	-
Trade receivables	1 220	-
	1 796	-
<i>Financial liabilities</i>		
Trade payables	(11 656)	-
	(11 656)	-

31.12.2022	EUR	USD
<i>Financial assets</i>		
Cash and cash equivalents	-	37 854
	-	37 854
<i>Financial liabilities</i>		
Trade payables	(18 074)	-
	(18 074)	-

The table below shows a sensitivity analysis of financial result before tax of the Company to probable change in foreign currency exchange rates, provided all other variables remain stable.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023
(in thousands of UAH, unless otherwise stated)

29. Financial risk management (continued)

	Increase (decrease) in	Effect on profit (loss) before tax
31.12.2023		
EUR	20	(2 331)
EUR	(5)	583
31.12.2022		
EUR	20	(3 615)
EUR	(5)	904
USD	20	7 571
USD	(5)	(1 893)

Capital management

The Company considers debt and authorized capital as the main sources of its capital. The management's tasks when managing capital is to ensure the Company's ability to continue as a going concern and to generate income for the owners and benefits for other stakeholders, as well as to ensure financing of its operating needs, investments, and the Company's development strategy. The Company's policy to manage capital is directed at ensuring and supporting the optimal capital structure with a view to decrease overall costs to raise capital and ensure flexibility of access of the Company to capital markets.

The Company's management on an going basis controls the capital structure and may amend its policy and purposes of capital management with due account for changes in operating environment, market trends, and the Company's development strategy. During the reporting period presented in these financial statements there were no changes in the goals or policy of the Company related to capital management.

The Company controls capital with the leverage ratio which is a result of division of net debt by sum of equity and net debt. Net debt includes loans and borrowings, lease liabilities, trade and other payables, provisions of the Company less cash and cash equivalents. Equity includes all equity components.

	31 December 2023	31 December 2022
Lease liabilities	71 560	47 640
Trade payables	63 518	39 395
Provisions and other current liabilities	14 237	12 980
Less: cash and cash equivalents	(62 294)	(64 279)
Net debt	87 021	35 736
Equity	184 686	161 580
Equity and net debt	271 707	197 316
Financial leverage ratio	32%	18%

Operating risk

Operating risk is the risk that derives from the deficiencies relating to the Company's information technology and system management of the Company, and from the human effect. The Company's systems are evaluated, maintained and upgraded continuously.

30. Events after the reporting date

After the reporting date and until the date of approval of these financial statements there were no significant events which would provide additional information about the financial statements of the Company and which would have to be reflected in the financial statements.

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