LIMITED LIABILITY COMPANY "PURATOS UKRAINE"

FINANCIAL STATEMENTS
for the year ended 31 December 2019
with Independent Auditor's Report

LIMITED LIABILITY COMPANY "PURATOS UKRAINE"

FINANCIAL STATEMENTS
for the year ended 31 December 2019

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Limited Liability Company "Nexia DK Audit"
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INDEPENDENT AUDITOR'S REPORT

To the Management and the 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 2019, and the statement of profit or loss (statement of comprehensive income), statement of equity capital and statement of cash flows 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 2019, and its financial results and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Ukrainian legislation governing accounting and 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 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.

Emphasis of Matter

We draw attention to Notes 4 and 33 to the financial statements, which describes going concern assumptions and subsequent events. Our opinion is not modified in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of key audit matter	*How the scope of our audit responded to the key audit matter*
The impact of IFRS 16 The Company recognized a right-of-use asset and lease liabilities at the amount of UAH 61 368 thousand at the date of transition to IFRS (01 January 2018). We considered the application of IFRS 16 as a key audit matter due to the material value of related assets and liabilities, and the significance of the Company's judgements in determining the assumptions used (incremental borrowing rate, lease term).	Our audit procedures included the following: - We assessed the completeness of the population of leases and validated that all leases had been appropriately accounted for. - We assessed the appropriateness of the incremental borrowing rates comparing them to market values. - We challenged the key judgements and assumptions used by management in relation to leases. - We made a recalculation and compared the results to the Company's accounting. - We checked the disclosures provided in the financial statements whether it is in line with IFRS 16. Based on the results of the performed procedures, we have recognized that the right-of-use asset and lease liability as of the reporting date have been appropriately calculated and disclosed in the financial statements.

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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 read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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 IFRS and the requirements of the Ukrainian legislation governing accounting and 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 skepticism 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.

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- 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 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 Mykola Romanyuk.
Registration number in the Register of Auditors and Audit Entities: 100528

Mykola Romanyuk on behalf of Nexia DK Audit LLC
Kyiv, December 11, 2020

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 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 2019, 31 December 2018 and 1 January, and its financial performance and cash flows for the years ended 31 December 2019, 31 December 2018 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 corresponding IFRS and disclosure of all material variances 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 the 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 one's competence in order to ensure 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 2019 were approved by management on 10 December 2020.

(Signature)

Director / Solovei Serhii Anatoliyovuch
(Position / Name)

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«ПУРАТОС УКРАЇНА»
ідентифікаційний код 33933338

(Signature)

Deputy chief accountant / Hulinska Svitlana Anatoliivna
(Position / Name)

		CODES
	Date (year month day)	2020 | 01 | 01
Entity: **LIMITED LIABILITY COMPANY "PURATOS UKRAINE"**	acc. to EDRPOU	**33933338**
Territory: Odessa region	acc. to KOATUU	**5110100000**
Type of an entity: Limited Liability Company	acc. to KOPFG	**240**
Type of economic activity: Wholesale of other food, including fish, crustaceans and molluscs	acc. to KVED	**46.38**
Average number of employees: 94		
Measuring unit: Thousands of UAH		
Address: st. Chornomorskoho Kozatstva, 115, Odesa, Odesa region, 65003		

BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
as of 31 December 2019

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	8	2 054	1 512
cost	1001		2 736	2 736
accumulated amortization	1002		(682)	(1 224)
Construction-in-progress	1005	10	573	2 359
Property, Plant and Equipment:	1010	9	145 600	131 171
cost	1011		180 315	181 712
accumulated depreciation	1012		(34 715)	(50 541)
Deferred tax assets	1045	27	7 533	531
Total, Non-current assets	**1095**		**155 760**	**135 573**
II. Current assets				
Inventories	1100	11	48 649	39 037
Raw materials and supplies	1101		10 951	14 407
Work in progress	1102		340	198
Finished goods	1103		12 685	11 325
Merchandise	1104		24 673	13 107
Trade receivables	1125	12	59 854	76 713
Receivables from:				
prepayments	1130	13	2 106	1 441
state budget	1135	14	1 108	-
including income tax receivable	1136		-	-
Receivables from accrued income	1140		1	1
Other receivables	1155	15	5	1 011
Current financial investments	1160		-	-
Cash and cash equivalents	1165	16	26 531	28 352
Current bank accounts	1167		23 489	28 352
Cash in transit	1168		3 042	-
Deferrals	1170		258	326
Other current assets	1190		272	222
Total, Current assets	**1195**		**138 784**	**147 103**
III. Non-current assets held for sale and discontinued operations	**1200**		-	-
TOTAL	**1300**		**294 544**	**282 676**

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

Liabilities	Item No	Notes	At the beginning of the year	At the end of the year
1	2	3	4	5
I. Equity capital				
Authorized capital	1400	17	159 912	159 912
Retained earnings	1420		(49 151)	(10 333)
Total, Equity capital	**1495**		**110 761**	**149 579**
II. Long-term liabilities and provisions				
Other long-term liabilities	1515	9	53 463	48 916
Long-term provisions	1520	18	625	1 107
Total, Long-term liabilities and provisions	**1595**		**54 088**	**50 023**
III. Current liabilities				
Short-term bank loans	1600	19	60 338	10 022
Payables for:				
long-term liabilities	1610	9	1 115	1 013
trade payables	1615	20	63 326	64 344
payables to state budget	1620		143	1 984
including income tax payable	1621		-	1 731
payables for insurance	1625		59	73
payables to employees	1630		586	964
advances received	1635		323	832
Current provisions	1660	21	3 789	3 819
Other current liabilities	1690		16	23
Total, Current liabilities	**1695**		**129 695**	**83 074**
IV. Liabilities arising from non-current assets held for sale and discontinued operations	**1700**		**-**	**-**
Net asset value of a non-state pension fund	**1800**		**-**	**-**
TOTAL	**1900**		**294 544**	**282 676**

Director Solovei Serhii Anatoliyovuch

Deputy Chief Accountant Hulinska Svitlana Anatoliivna

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

STATEMENT OF PROFIT AND LOSS
(STATEMENT OF COMPREHENSIVE INCOME)
for the year 2019

Form № 2 DKUD 1801003

I. PROFIT AND LOSS

Item	Item No	Notes	2019	2018
1	2	3	4	5
Revenue	2000	22	454 529	347 273
Cost of sales	2050	23	(325 037)	(270 719)
Gross: profit	2090		**129 492**	**76 554**
loss	2095		-	-
Other operating income	2120		2 008	608
Administrative expenses	2130	24	(14 659)	(9 998)
Selling expenses	2150	25	(52 911)	(37 250)
Other operating expenses	2180		(1 515)	(5 343)
Result from operating activities: profit	2190		**62 415**	**24 571**
loss	2195		-	-
Other financial income	2220		12	21
Financial expenses	2250	26	(14 876)	(19 373)
Other expenses	2270		-	(17)
Result before income tax: profit	2290		**47 551**	**5 202**
loss	2295		-	-
Income tax	2300	27	(8 733)	(1 433)
Net result for the year: profit	2350		**38 818**	**3 769**
loss	2355		-	-

II. OTHER COMPREHENSIVE INCOME

Item	Item No	Notes	2019	2018
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**		**38 818**	**3 769**

III. OPERATING EXPENSES

Item	Item No	2019	2018
1	2	3	4
Cost of materials used	2500	303 267	252 392
Payroll	2505	25 470	18 957
Social insurance contributions	2510	5 157	3 473
Depreciation and amortization	2515	17 132	16 087
Other operating expenses	2520	43 096	32 401
Total	**2550**	**394 122**	**323 310**

IV. EARNINGS PER SHARE

Item	Item No	2019	2018
1	2	3	4
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 Solovei Serhii Anatoliyovuch

Deputy Chief Accountant Hulinska Svitlana Anatoliivna

STATEMENT OF CASH FLOWS (direct method)
for the year 2019

Form № 3 DKUD code 1801004

Item	Item No	Reporting period	Comparative period
1	2	3	4
I. Cash flows from operating activities			
Proceeds from:			
Revenue from sales of goods (merchandise, works, services)	3000	404 249	342 412
Special-purpose financing	3010	285	236
Receipt of advances from customers	3015	119 724	88 530
Return of advances	3020	154	76
Interest on current accounts balances	3025	13	19
Proceeds from debtors' penalties (fines)	3035	23	479
Other receipts	3095	407	599
Disbursements for:			
Goods (works, services)	3100	(254 060)	(247 328)
Labor	3105	(24 140)	(17 932)
Payroll taxes	3110	(6 241)	(4 608)
Taxes and charges	3115	(29 405)	(6 368)
Payment of VAT	3117	(23 114)	(1 722)
Payment of other taxes and charges	3118	(6 291)	(4 646)
Expenses for payment of advances	3135	(129 544)	(123 934)
Expenses for payment of return of advances	3140	(169)	(1 123)
Other payments	3190	(18 873)	(20 092)
Net cash flow from operating activities	**3195**	**62 423**	**10 966**
II. Cash flows from investing activities			
Payments for:			
Non-current assets	3260	(7 992)	(6 810)
Net cash flows from investing activities	**3295**	**(7 992)**	**(6 810)**
III. Cash flows from financing activities			
Proceeds from loans and borrowings	3305	3 081 000	198 300
Repayment of borrowings	3350	(3 130 500)	(182 800)
Other payments	3390	(477)	(541)
Net cash flows from financing activities	**3395**	**(49 977)**	**14 959**
Net cash flow for the reporting period	**3400**	**4 454**	**19 115**
Cash balance at the beginning of the year	3405	26 531	7 531
Net effect of changes in foreign exchange rates on the cash balance	3410	(2 633)	(115)
Cash balance at the end of the year	**3415**	**28 352**	**26 531**

Director Solovei Serhii Anatoliyovuch

Deputy Chief Accountant Hulinska Svitlana Anatoliivna

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

STATEMENT OF EQUITY CAPITAL
for the year 2019

From № 4 DKUD 1801005

Item	Item No	Authorized capital	Revaluation surplus	Additional capital	Capital reserves	Retained earnings	Unpaid capital	Bought out capital	Total
1	2	3	4	5	6	7	8	9	10
At the beginning of the year	4000	159 912	-	-	-	(49 151)	-	-	110 761
At the beginning of the year, adjusted	4095	159 912	-	-	-	(49 151)	-	-	110 761
Net result for the year	4100	-	-	-	-	38 818	-	-	38 818
Total changes in capital	4295	-	-	-	-	38 818	-	-	38 818
At the end of the year	4300	159 912	-	-	-	(10 333)	-	-	149 579

Director Solovei Serhii Anatoliyovuch

Deputy Chief Accountant Hulinska Svitlana Anatoliivna

STATEMENT OF EQUITY CAPITAL
for the year 2018

From № 4 DKUD 1801005

Item	Item No	Authorized capital	Revaluation surplus	Additional capital	Capital reserves	Retained earnings	Unpaid capital	Bought out capital	Total
1	2	3	4	5	6	7	8	9	10
At the beginning of the year	4000	159 912	-	(1 743)	-	(60 473)	-	-	97 696
Adjustments: Changes in accounting policies	4005	-	-	1 743	-	7 533	-	-	9 296
At the beginning of the year, adjusted	4095	159 912	-	-	-	(52 920)	-	-	106 992
Net result for the year	4100	-	-	-	-	3 769	-	-	3 769
Total changes in capital	4295	-	-	-	-	3 769	-	-	3 769
At the end of the year	4300	159 912	-	-	-	(49 151)	-	-	110 761

Director Solovei Serhii Anatoliyovuch

Deputy Chief Accountant Hulinska Svitlana Anatoliivna

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

1. Information about the Company and its core activities

Puratos Group ("the Group") is an international group that offers a full range of innovative products, raw materials and experience in the bakery, confectionery and chocolate industries.

The headquarters is located near Brussels (Belgium), where the company was founded in 1919. Centuries 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.

Group has had a representative office in Ukraine for over 10 years. "Puratos Ukraine" LTD was registered on 28 November 2005. On 16 May 2016, a new modern plant of the Group`s company was opened in Odesa region.

The Company`s legal address is: 65003, Odesa region, Odesa, Chornomorskoho Kozatstva street, 115.
The average headcount of the Company is 94 employees (2018: 89 employees).

2. The Company's operating environment in Ukraine

The Company's operations are carried out in Ukraine. The Ukrainian economy continues to display certain characteristics consistent with that of an economy in transition. These characteristics include, but are not limited to, low levels of liquidity in the capital markets, high inflation and the existence of currency controls which cause the national currency to be illiquid outside of Ukraine.

For lasts years Ukraine continued to limit its political and economic ties with Russia, given annexation of Crimea, an autonomous republic of Ukraine, and an armed conflict in certain parts of Luhansk and Donetsk regions. Amid such events, the Ukrainian economy demonstrated further refocusing on the European Union ("EU") market, realizing all potentials of established Deep and Comprehensive Free Trade Area ("DCFTA") with EU thus responding effectively to mutual trade restrictions imposed between Ukraine and Russia.

In 2019, annual inflation rate amounted to 4,1% compared to 9,8% in 2018. The Ukrainian economy proceeded recovery from the economic and political crisis of previous years that resulted in real GDP smooth growth of around 3,2% (2018: 3,3%) and stabilisation of national currency.

In terms of currency regulations, the new currency law was adopted in 2018 and came into force on 7 February 2019. It purports to enable the National Bank of Ukraine to promulgate more liberal currency regulation and soften a number of currency restrictions.

Further stabilization of the economic and political situation depends, to a large extent, upon success of the Ukrainian government's efforts, yet further economic and political developments are currently difficult to predict.

After the reporting date, Ukraine's economy, like most countries around the world, was significantly affected by the outbreak of the coronavirus pandemic (COVID-19) (Note 33).

These financial statements reflect management's current assessment of the impact of the economic situation in Ukraine on the operating activities and financial position of the Company. Further changes in the country's economic situation can differ considerably from the management's estimate.

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").

For all periods, including for the year ended 31 December 2019, the Company has prepared the financial statements in accordance with the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" and regulations (standards) in Ukraine that in some aspects differ from IFRS. The financial statements for the year ended 31 December 2019 have been prepared on the basis of accounting data, which have been corrected and re-classified in a relevant way to have adequate presentation in accordance with IFRS.
The financial statements for the year ended 31 December 2019 are the first financial statements of the Company prepared in accordance with IFRS. Note 6 contains the information on the Company's transition to IFRS.

(in thousands of UAH, unless otherwise stated)

3. Basis of preparation *(continued)*

3.2. Basis for measurement and preparation

These financial statements have been prepared on the basis of accrual and historical cost, except for certain groups of property, plant and equipment, which were measured at fair value as its deemed cost at the date of transition to IFRSs.

In practice the substance of transactions and other circumstances and events does not always conform to the legal form. In financial statements 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 financial statements of "Puratos Ukraine" LTD is a calendar year. The interim financial report is prepared quarterly in a format of condensed financial statements.

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 reflected in presentation currency by converting the amount in foreign currency using the exchange rate at the beginning of the day on the date of transaction.

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

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

	As of 31 December 2019	Average for 2019	As of 31 December 2018	Average for 2018	As of 1 January 2018
UAH/USD	23,6862	25,8456	27,6882	27,2005	28,0672
UAH/EUR	26,4220	28,9518	31,7141	32,1429	33,4954

UAH is also selected as the presentation currency in these financial statements.

4. Significant judgements, accounting estimates and assumptions of management

The preparation of financial statements in conformity with IFRS requires from management of the Company to make judgments and 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 contingent assets and liabilities.

Management's estimates and assumptions are based on the information available on 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 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 non-current assets
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 application of estimates which include determining the reason, time and the amount of impairment. The estimation of impairment is based on a number of factors such as change in current competitive environment, 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.

4. Significant judgements, accounting estimates and assumptions of management *(continued)*

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 comprehensive income.

Valuation of inventories
Inventories are measured at the lower of cost and net realizable value. In estimating the net realizable value of its inventories, management perform assessment based on various assumptions, including current market prices.

At each reporting date, the Company evaluates 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 acceptable interest rate under lease agreements, the Company should apply the incremental borrowing rate. For the purposes of these financial statements, the rates offered by the Company's banks in the same periods as the occurrence / modification of the lease agreements were used.

Going concern assumption
In the near future, the Company will continue to be affected by the country's volatile economy. As a result, there is uncertainty that may affect future operations and the possibility of reimbursing the value of the Company's assets, its ability to service and repay its liabilities as they fall due.

The financial statements of the Company have been prepared on a going concern basis, which provides for the realization of assets and the fulfillment of liabilities in the ordinary business activities. Therefore, these financial statements do not contain any adjustments that could have occurred if the Company had not been able to continue as a going concern and if it had not realized its assets in the ordinary course of business.

5. Summary of significant accounting policies

These financial statements have been prepared in accordance with IFRS prevailing 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 the purpose of sale;
- the Company expects to sell the asset within twelve months after the reporting date;
- an asset is cash or cash equivalents unless there is a restriction on the exchange or use of that asset to repay the liabilities 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 hopes to repay this obligation during its normal operating cycle;
- the Company retains this obligation primarily for the purpose of 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.

5. Summary of significant accounting policies *(continued)*

Fair value measurement

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

Fair value measurement assumes that the sale of an asset or the transfer of a liability occurs either:
a) on the basis of the underlying market for that asset or liability; or
b) in the absence of the underlying 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 most profitably and best.

The Company uses methodological estimates that are responsible for presenting data and for which there is sufficient data to measure fair value, making maximum use of the responses reflected in the input data and minimizing the use of input data that characteristic of the Company.

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 appraisers include market knowledge, reputation, independence and adherence to professional standards.

To disclose fair value, the Company has identified classes of assets and liabilities based on the characteristics and risks of the asset or liability 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.

The Company's contracts with buyers, as a rule, contain one liability to perform (sale of products) or two liabilities (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 and 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 concludes 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 must 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 measured 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 amount, 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 time of the contract and is recognized only if there is a high probability that when the uncertainty associated with variable compensation is largely resolved, a significant recovery in the amount of recognized cumulative income from ordinary activities will not occur.

As a rule, the Company receives short-term advances from its customers, or sells goods on deferred payment 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 component of financing 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.

5. Summary of significant accounting policies *(continued)*

Contract balances

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company transfers goods and services to a customer before the customer pays compensation or before the due date, the Company records the contract as a contract asset, except for any amounts recorded as receivables. 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 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.

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 or the Company is entitled to the amount of compensation that is unconditional (is a receivable), the Company should record the contract as a contract liability on the date of payment or the date when payment is due (whichever is earlier) before transferring goods or services to the customer. 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 accounting and reporting at the time of their occurrence (incurrence) on the principles of accrual and compliance, regardless of the date of receipt or payment.

Expenses are recognized as expenses of a certain period simultaneously with the recognition of income for which they are incurred. Expenses that cannot be directly related to the income of a certain period are reflected in the 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.

5. Summary of significant accounting policies *(continued)*

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses 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.

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
Initially, property, plant and equipment are recognized at cost. The cost of property, plant and equipment consists of the cost of their acquisition, including unreimbursed acquisition 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.

Subsequent to initial recognition, property, plant and equipment are stated 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. Construction in progress at the date of preparation of the financial statements 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 becomes usable, i.e. when it is delivered to the place of use and brought into a condition in which it is usable, but not earlier than the month following the month in which the object began to be used (put into operation).

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

	Useful life, months
Buildings	240-360
Machinery and equipment	60
Transport vehicles	60
Computer and networking equipment	36
Fixture and fittings	48-60

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

5. Summary of significant accounting policies *(continued)*

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

Further expenses are capitalized only when they increase future economic benefits inherent in the particular assets to which they relate. All other expenses including goodwill expenses and trademarks made at its sole costs are recognized in profit or loss in the period they were incurred.

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 for the current period are as follows:

Other intangible assets	3-10 years

The residual value, the useful life and depreciation method are reviewed and, if necessary, are 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 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 initial maturity less than three months. The statement of cash flows is prepared by 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.
On initial recognition of financial assets, the Company allocates them to a respective category. Unless the Company changes its business model for managing financial assets, the Company does not change category chosen on initial recognition.

5. 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 provision for expected credit losses. Under this approach, the Company does not track changes in credit risks, instead the Company recognizes expected credit losses over the life of the financial asset at each reporting date. The Company uses a collateral 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 occurs 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 to account for the Company's credit enhancement. 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.

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.

5. Summary of significant accounting policies *(continued)*

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. 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.

Leases
The Company as a lessee
The Company assesses whether a contract is or contains a lease, at 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.

5. Summary of significant accounting policies *(continued)*

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 a similar security the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Subsequent to 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 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 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 option to extend the lease.

The Company presents its right-of-use assets as part of 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 an obligation to pay dividends to a participant when it is approved by the members of the Company.

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.

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 taking 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;
   i) has significant influence over the reporting entity; or
   ii) 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 applies:
   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.

(in thousands of UAH, unless otherwise stated)

5. Summary of significant accounting policies *(continued)*

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 the reporting date
Events, which took place after the reporting date and prior to the date of approval of the financial statements to be issued 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.

6. Changes in accounting policies and recalculation of comparative information

Until 31 December 2018, when preparing the statutory financial statements, the Company applied the National Accounting Regulations (Standards) of Ukraine (hereinafter – P(S)BO).

The Company started preparing statutory general purpose financial statements in accordance with the requirements of IFRS from 1 January 2019. As a result, the financial statements of "Puratos Ukraine" LTD as of 31 December 2018, prepared in accordance with P(S)BO, were transformed taking into account adjustments in accordance with IFRS. In accordance with the requirements of IFRS 1 "First-time Adoption of International Financial Reporting Standards", the Company's financial statements comply with the requirements of all IFRSs effective as of 31 December 2019.

The main principles, methods and procedures used by the Company in 2019 for the preparation and submission of financial statements are given above.

The impact of the adjustments on the Statement of Financial Position prepared in accordance with IFRS in the format provided for in P(S)BO 1 as of 1 January 2018 is as follows:

Assets	Item No	Notes	31.12.2017 P(S)BO	Adjustments	01.01.2018 IFRS
1	2	3	4	5	6
I. Non-current assets					
Intangible assets:	1000		2 420	-	2 420
cost	1001		2 589	-	2 589
accumulated amortization	1002		(169)	-	(169)
Construction-in-progress	1005	A	-	1 180	1 180
Property, Plant and Equipment:	1010	B,C	97 916	62 151	160 067
cost	1011		115 404	63 160	178 564
accumulated depreciation	1012		(17 488)	(1 009)	(18 497)
Deferred tax assets	1045	E	-	8 966	8 966
Other non-current assets	1090	B,D	25	(25)	-
Total, Non-current assets	**1095**		**100 361**	**72 272**	**172 633**

(in thousands of UAH, unless otherwise stated)

6. Changes in accounting policies and recalculation of comparative information *(continued)*

Assets	Item No	Notes	31.12.2017 P(S)BO	Adjustments	01.01.2018 IFRS
1	2	3	4	5	6
II. Current assets					
Inventories	1100		40 763	-	40 763
Raw materials and supplies	1101		17 680	-	17 680
Work in progress	1102		346	-	346
Finished goods	1103		10 219	-	10 219
Merchandise	1104		12 518	-	12 518
Trade receivables	1125		75 937	-	75 937
Receivables from:					
prepayments	1130	A,D	1 993	(100)	1 893
state budget	1135	D	15 664	(7 973)	7 691
Cash and cash equivalents	1165		7 531	-	7 531
Current bank accounts	1167		7 531	-	7 531
Deferrals	1170		114	-	114
Other current assets	1190	D	-	168	168
Total, Current assets	**1195**		**142 002**	**(7 905)**	**134 097**
III. Non-current assets held for sale and discontinued operations	**1200**	B,D	**-**	**5**	**5**
Total	**1300**		**242 363**	**64 372**	**306 735**

Equity capital and Liabilities	Item No	Notes	31.12.2017 P(S)BO	Adjustments	01.01.2018 IFRS
1	2	3	4	5	6
I. Equity capital					
Authorized capital	1400		159 912	-	159 912
Additional capital	1410	F	(1 743)	1 743	-
Retained earnings	1420	B,C,E,F	(60 473)	7 553	(52 920)
Unpaid capital	1425		-	-	-
Total, Equity capital	**1495**		**97 696**	**9 296**	**106 992**
II. Long-term liabilities and provisions					
Other long-term liabilities	1515	C	-	60 729	60 729
Long-term provisions	1520	D	2 533	(2 170)	363
Total, Long-term liabilities and provisions	**1595**		**2 533**	**58 559**	**61 092**
III. Current liabilities					
Short-term bank loans	1600		44 508	-	44 508
Payables for:					
long-term liabilities	1610	C	-	639	639
trade payables	1615	D	88 924	1 457	90 381
payables to state budget	1620	D	7 906	(7 741)	165
payables for insurance	1625		148	-	148
payables to employees	1630		602	-	602
advances received	1635	D	-	35	35
Current provisions	1660	D	-	2 170	2 170
Other current liabilities	1690	D	46	(43)	3
Total, Current liabilities	**1695**		**142 134**	**(3 483)**	**138 651**
IV. Liabilities arising from non-current assets held for sale and discontinued operations	**1700**		**-**	**-**	**-**
Net asset value of a non-state pension fund	**1800**		**-**	**-**	**-**
Total	**1900**		**242 363**	**64 372**	**306 735**

(in thousands of UAH, unless otherwise stated)

6. Changes in accounting policies and recalculation of comparative information *(continued)*

The impact of the adjustments on the Statement of Financial Position prepared in accordance with IFRS in the format provided for in P(S)BO 1 as of 31 December 2018 is as follows:

Assets	Item No	Notes	31.12.2018 P(S)BO	Adjustments	31.12.2018 IFRS
1	2	3	4	5	6
I. Non-current assets					
Intangible assets:	1000		2 054	-	2 054
cost	1001		2 736	-	2 736
accumulated amortization	1002		(682)	-	(682)
Construction-in-progress	1005	A	34	539	573
Property, Plant and Equipment:	1010	B,C	94 437	51 163	145 600
cost	1011		124 661	55 654	180 315
accumulated depreciation	1012		(30 224)	(4 491)	(34 715)
Deferred tax assets	1045	E	-	7 533	7 533
Other non-current assets	1090		-	-	-
Total, Non-current assets	**1095**		**96 525**	**59 235**	**155 760**
II. Current assets					
Inventories	1100		48 649	-	48 649
Raw materials and supplies	1101		10 951	-	10 951
Work in progress	1102		340	-	340
Finished goods	1103		12 685	-	12 685
Merchandise	1104		24 673	-	24 673
Trade receivables	1125		59 854	-	59 854
Receivables from:					
prepayments	1130	A,D	2 881	(775)	2 106
state budget	1135	D	9 392	(8 284)	1 108
Receivables from accrued income	1140		1	-	1
Other receivables	1155		5	-	5
Cash and cash equivalents	1165		26 530	1	26 531
Current bank accounts	1167		23 489	-	23 489
	1168		3 041	1	3 042
Deferrals	1170		258	-	258
Other current assets	1190	D	356	(84)	272
Total, Current assets	**1195**		**147 926**	**(9 142)**	**138 784**
III. Non-current assets held for sale and discontinued operations	**1200**		-	-	-
Total	**1300**		**244 451**	**50 093**	**294 544**

(in thousands of UAH, unless otherwise stated)

6. Changes in accounting policies and recalculation of comparative information *(continued)*

Equity capital and Liabilities	Item No	Notes	31.12.2018 P(S)BO	Adjustments	31.12.2018 IFRS
1	2	3	4	5	6
I. Equity capital					
Authorized capital	1400		159 912	-	159 912
Additional capital	1410	F	(1 743)	1 743	-
Retained earnings	1420	E,F	(52 355)	3 204	(49 151)
Unpaid capital	1425		-	-	-
Total, Equity capital	**1495**		**105 814**	**4 947**	**110 761**
II. Long-term liabilities and provisions					
Other long-term liabilities	1515	C	738	52 725	53 463
Long-term provisions	1520	D	4 414	(3 789)	625
Total, Long-term liabilities and provisions	**1595**		**5 152**	**48 936**	**54 088**
III. Current liabilities					
Short-term bank loans	1600	D	59 500	838	60 338
Payables for:					
long-term liabilities	1610	C	519	596	1 115
trade payables	1615	D	63 141	185	63 326
payables to state budget	1620	D	8 438	(8 295)	143
payables for insurance	1625		59	-	59
payables to employees	1630		586	-	586
advances received	1635	D	388	(65)	323
Current provisions	1660	D	-	3 789	3 789
Other current liabilities	1690	D	854	(838)	16
Total, Current liabilities	**1695**		**133 485**	**(3 790)**	**129 695**
IV. Liabilities arising from non-current assets held for sale and discontinued operations	**1700**		**-**	**-**	**-**
Total	**1900**		**244 451**	**50 093**	**294 544**

The impact of the adjustments on the Statement of Profit and Loss (Statement of Comprehensive Income) prepared in accordance with IFRS in the format required by P(S)BO 1 for the year ended 31 December 2018 is as follows:

Item	Item No	Notes	2018, P(S)BO	Adjustments	2018, IFRS
1	2	3	4	5	6
Revenue	2000		347 273	-	347 273
Cost of sales	2050		(270 719)	-	(270 719)
Gross: **profit**	2090		**76 554**	**-**	**76 554**
Other operating income	2120	D	4 485	(3 877)	608
Administrative expenses	2130	B,C	(10 581)	583	(9 998)
Selling expenses	2150	B,C	(42 053)	4 803	(37 250)
Other operating expenses	2180	D	(9 220)	3 877	(5 343)
Result from operating activities: **profit**	2190		**19 185**	**5 386**	**24 571**
Other financial income	2220		21	-	21
Financial expenses	2250	C	(11 045)	(8 328)	(19 373)
Other expenses	2270	B	(38)	21	(17)
Result before income tax: **profit**	2290		**8 123**	**(2 921)**	**5 202**
Income tax	2300	E	-	(1 433)	(1 433)
Net result for the year: **profit**	2350		**8 123**	**(4 354)**	**3 769**

(in thousands of UAH, unless otherwise stated)

6. Changes in accounting policies and recalculation of comparative information *(continued)*

Changes in the statement of cash flows prepared in accordance with IFRS for 2018 are as follows:

Item	Item No	Notes	2018, P(S)BO	Adjustments	2018, IFRS
1	2	3	4	5	6
Net cash flow from operating activities	**3195**	C,G	6 698	4 268	10 966
Net cash flows from investing activities	**3295**	G	(3 083)	(3 727)	(6 810)
Net cash flows from financing activities	**3395**	C	15 500	(541)	14 959
Net cash flow for the reporting period	**3400**		19 115	-	19 115
Cash balance at the beginning of the year	3405		7 531	-	7 531
Net effect of changes in foreign exchange rates on the cash balance	3410		(116)	1	(115)
Cash balance at the end of the year	**3415**		**26 530**	**1**	**26 531**

The following is a description of the adjustments to the financial statements prepared in accordance with IFRS:

(A) Prepayments for property, plant and equipment
In accordance with the principles that are the basis for the preparation of financial statements in accordance with IFRS, the Company has separated prepayments for property, plant and equipment in a separate item of financial statements.

(B) Valuation of property, plant and equipment
Computer equipment and vehicles were measured at fair value at the date of transition to IFRS. Fair value was recognized as deemed cost. Subsequently, property, plant and equipment are accounted for at cost. The Company has also reviewed the useful lives of property, plant and equipment for the purposes of preparing financial statements in accordance with IFRS. Depreciation and movements of property, plant and equipment for the periods from the valuation date have been adjusted.

(C) Recognition of a right-of-use asset and a lease liability (IFRS 16)
In connection with the transition to IFRS, the Company recognized the right-of-use assets, as well as the lease liabilities under the lease agreements and adjusted the financial results and cash flows accordingly.

(D) Changes in classification at the date of transition
The Company has changed the classification of certain types of income, expenses, assets and liabilities. In these financial statements, the Statement of Cash Flows has been prepared in accordance with IFRS by the direct method and is presented in the format provided by P(S)BO 1.

(E) Recognition of deferred taxes
In accordance with the accounting policy the Company should recognize temporary differences at the date of transition to IFRS. Adjustments to deferred taxes were recognized depending on the nature of their occurrence. In these financial statements all adjustments were recognized in retained earnings.

(F) Offsetting of accumulated exchange rate differences from participants' contributions in foreign currency to the authorized capital
The owner of the Company is a non-resident of Ukraine. Accordingly, the authorized capital is fixed in EUR and UAH at the National Bank of Ukraine exchange rate specified in the Company's Charter. Payable for contribution to the authorized capital is a monetary liability. At the date of transition to IFRS, the Company has offsetted the balance of additional capital that arose from the owners' contributions to the authorized capital with retained earnings of the Company.

(G) Cash flows classification
The Company has corrected the classification of payments related to the acquisition of non-current assets. This led to a decrease in line 3100 "Payments for goods (works, services)" and an increase in line 3260 "Payments for the acquisition of non-current assets".

(in thousands of UAH, unless otherwise stated)

6. Changes in accounting policies and recalculation of comparative information *(continued)*

Since the statistical reporting forms for financial statements in Ukraine do not meet the requirements of IAS 1 "Presentation of Financial Statements" for the presentation of the statement of financial position at the beginning of the earliest comparative period when an entity applies changes to accounting policies retrospectively, a statement of financial position with a retrospective presentation of changes in accounting policies in connection with the transition to IFRS is provided below.

Assets	Item No	31.12.2019	31.12.2018	01.01.2018
1	2	3	4	5
I. Non-current assets				
Intangible assets:	1000	1 512	2 054	2 420
cost	1001	2 736	2 736	2 589
accumulated amortization	1002	(1 224)	(682)	(169)
Construction-in-progress	1005	2 359	573	1 180
Property, Plant and Equipment:	1010	131 171	145 600	160 067
cost	1011	181 712	180 315	178 564
accumulated depreciation	1012	(50 541)	(34 715)	(18 497)
Deferred tax assets	1045	531	7 533	8 966
Total, Non-current assets	**1095**	**135 573**	**155 760**	**172 633**
II. Current assets				
Inventories	1100	39 037	48 649	40 763
Raw materials and supplies	1101	14 407	10 951	17 680
Work in progress	1102	198	340	346
Finished goods	1103	11 325	12 685	10 219
Merchandise	1104	13 107	24 673	12 518
Trade receivables	1125	76 713	59 854	75 937
Receivables from:				
prepayments	1130	1 441	2 106	1 893
state budget	1135	-	1 108	7 691
Receivables from accrued income	1140	1	1	-
Other receivables	1155	1 011	5	-
Cash and cash equivalents	1165	28 352	26 531	7 531
Current bank accounts	1167	28 352	23 489	7 531
Cash in transit	1168	-	3 042	-
Deferrals	1170	326	258	114
Other current assets	1190	222	272	168
Total, Current assets	**1195**	**147 103**	**138 784**	**134 097**
III. Non-current assets held for sale and discontinued operations	**1200**	**-**	**-**	**5**
Total	**1300**	**282 676**	**294 544**	**306 735**

(in thousands of UAH, unless otherwise stated)

6. Changes in accounting policies and recalculation of comparative information *(continued)*

Equity capital and Liabilities	Item No	31.12.2019	31.12.2018	01.01.2018
1	2	3	4	5
I. Equity capital				
Authorized capital	1400	159 912	159 912	159 912
Retained earnings	1420	(10 333)	(49 151)	(52 920)
Total, Equity capital	**1495**	**149 579**	**110 761**	**106 992**
II. Long-term liabilities and provisions				
Other long-term liabilities	1515	48 916	53 463	60 729
Long-term provisions	1520	1 107	625	363
Total, Long-term liabilities and provisions	**1595**	**50 023**	**54 088**	**61 092**
III. Current liabilities				
Short-term bank loans	1600	10 022	60 338	44 508
Payables for:				
long-term liabilities	1610	1 013	1 115	639
trade payables	1615	64 344	63 326	90 381
payables to state budget	1620	1 984	143	165
including income tax payable	1621	1 731	-	-
payables for insurance	1625	73	59	148
payables to employees	1630	964	586	602
advances received	1635	832	323	35
Current provisions	1660	3 819	3 789	2 170
Other current liabilities	1690	23	16	3
Total, Current liabilities	**1695**	**83 074**	**129 695**	**138 651**
IV. Liabilities arising from non-current assets held for sale and discontinued operations	**1700**	-	-	-
Total	**1900**	**282 676**	**294 544**	**306 735**

7. IFRS Standards issued but not yet effective

The Company has not adopted the following IFRS and Interpretations of IFRS Interpretations Committee issued but not yet effective:

- IFRS 17 "Insurance Contracts" – effective for annual periods beginning on or after 1 January 2021;
- Amendments to IFRS 3 "Business Combinations" – Definition of a business – effective on 1 January 2020;
- Amendments to IAS 1 "Presentation of Financial Statements", IAS 8 "Accounting Policies", "Changes in Accounting Estimates and Errors" – Definition of "material" – effective on 1 January 2020;
- Amendments to IFRS 10 "Consolidated Financial Statements", IAS 28 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – effective date of this amendment is postponed for indefinite period of time;
- Conceptual Framework - Amendments to References to the Conceptual Framework in IFRS Standards – effective on 1 January 2020;
- Interest Rate Benchmark Reform (amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments": Recognition and Measurement and IFRS 7 "Financial Instrument"s: Disclosures) – effective on 1 January 2020;
- IAS 1 "Presentation of Financial Statements" - Classification of Liabilities for Current and Long-Term - becomes effective for annual periods beginning on or after 1 January 2022;
- Amendments to IFRS 16 "Lease" – lease agreements related to Covid-19 – effective on 1 June 2020.
- IFRS 3 "Business Combinations" - Amendments to the Conceptual Framework References - effective 1 January 2022;
- IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" - Onerous Contracts - Cost of Fulfilling a Contract – effective on 1 January 2022;
- IAS 16 "Property, Plant and Equipment" - Recognition of income before using an item of property, plant and equipment effective on 1 January 2022;
- Annual Improvements to IFRS 2018-2020 Cycle - effective on 1 January 2022.

According to management estimates the adoption of these standards and interpretations will not significantly affect the Company's financial statements in future periods.

(in thousands of UAH, unless otherwise stated)

8. Intangible assets

Below you can find the information about the movement of intangible assets in 2019 and 2018:

	Intangible assets
Cost	
As of 1 January 2018	**2 589**
Additions	147
Disposals	-
As of 31 December 2018	**2 736**
Additions	-
Disposals	-
As of 31 December 2019	**2 736**
Accumulated amortization	
As of 1 January 2018	**169**
Charge for the period	513
Written off on disposal	-
As of 31 December 2018	**682**
Charge for the period	542
Written off on disposal	-
As of 31 December 2019	**1 224**
Carrying amount	
As of 1 January 2018	**2 420**
As of 31 December 2018	**2 054**
As of 31 December 2019	**1 512**

As of 31 December 2019, 31 December 2018 and 1 January 2018, intangible assets were mainly represented by capitalized costs for commercial software, licenses.

(in thousands of UAH, unless otherwise stated)

9. Property, plant and equipment

Below you can find the information about the movement of property, plant, and equipment in 2019 and 2018:

	Buildings	Machinery and equipment	Computer and networking equipment	Transport vehicles	Fixture and fittings	Other fixed assets	Total
Cost							
As of 1 January 2018	**61 912**	**80 401**	**2 000**	**8 181**	**6 595**	**19 475**	**178 564**
Additions	278	5 119	177	1 897	1 620	261	9 352
Disposals	(7 506)	(30)	-	-	(63)	(2)	(7 601)
As of 31 December 2018	**54 684**	**85 490**	**2 177**	**10 078**	**8 152**	**19 734**	**180 315**
Additions	-	2 601	611	-	1 051	816	5 079
Disposals	(3 652)	-	-	-	(30)	-	(3 682)
As of 31 December 2019	**51 032**	**88 091**	**2 788**	**10 078**	**9 173**	**20 550**	**181 712**
Accumulated depreciation							
As of 1 January 2018	**53**	**11 245**	**737**	**3 330**	**1 626**	**1 506**	**18 497**
Charge for the period	2 951	8 561	511	1 764	1 471	1 041	16 299
Written off on disposal	-	(26)	-	-	(55)	-	(81)
As of 31 December 2018	**3 004**	**19 780**	**1 248**	**5 094**	**3 042**	**2 547**	**34 715**
Charge for the period	2 694	8 985	385	1 099	1 606	1 087	15 856
Written off on disposal	-	-	-	-	(30)	-	(30)
As of 31 December 2019	**5 698**	**28 765**	**1 633**	**6 193**	**4 618**	**3 634**	**50 541**
Carrying amount							
As of 1 January 2018	**61 859**	**69 156**	**1 263**	**4 851**	**4 969**	**17 969**	**160 067**
As of 31 December 2018	**51 680**	**65 710**	**929**	**4 984**	**5 110**	**17 187**	**145 600**
As of 31 December 2019	**45 334**	**58 078**	**2 403**	**3 885**	**4 555**	**16 916**	**131 171**

As of 31 December 2019, property, plant and equipment with a cost of UAH 1 540 thousand were fully depreciated, but still in use (31 December 2018 – UAH 1 460 thousand, 1 January 2018 – UAH 141 thousand).

(in thousands of UAH, unless otherwise stated)

9. Property, plant and equipment *(continued)*

Leases

Property, plant and equipment include rights-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 2019, the remaining lease term is about 17 years.

Until 31 December 2017, lease agreements were classified as operating leases. From 1 January 2018, the lease is recognized as right-of-use assets and relevant lease liabilities, starting from the date on which the leased asset is available for use by the Company.

The following is the carrying amount the Company`s right-of-use assets and lease liabilities and movement for the period:

	Buildings	Transport vehicles	Total
Right-of-use assets			
As of 1 January 2018	**61 368**	**-**	**61 368**
Additions	-	1 897	1 897
Depreciation	(2 898)	(284)	(3 182)
Modification of agreement terms	(7 506)	-	(7 506)
As of 31 December 2018	**50 964**	**1 613**	**52 577**
Depreciation	(2 629)	(379)	(3 008)
Modification of agreement terms	(3 652)	-	(3 652)
As of 31 December 2019	**44 683**	**1 234**	**45 917**

	Short-term lease liabilities	Long-term lease liabilities	Total
Lease liabilities			
Initial recognition in connection with the first application of IFRS 16	639	60 729	61 368
As of 1 January 2018	**639**	**60 729**	**61 368**
Financial expenses	8 704	-	8 704
Lease payments	(9 246)	-	(9 246)
Additions	519	739	1 258
Modification of agreement terms	-	(7 506)	(7 506)
Reclassification by maturity of debt	499	(499)	-
As of 31 December 2018	**1 115**	**53 463**	**54 578**
Financial expenses	8 595	-	8 595
Lease payments	(9 592)	-	(9 592)
Modification of agreement terms	-	(3 652)	(3 652)
Reclassification by maturity of debt	895	(895)	-
As of 31 December 2019	**1 013**	**48 916**	**49 929**

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

	31 December 2019	31 December 2018	1 January 2018
Future minimum lease payments, including:			
up to 1 year	9 246	9 331	9 248
from 1 to 5 years	35 108	36 687	36 994
more than 5 years	116 260	114 306	129 479
Less: future interest payments on leases	(110 685)	(105 746)	(114 353)
	49 929	**54 578**	**61 368**

(in thousands of UAH, unless otherwise stated)

10. Construction-in-progress

	31 December 2019	31 December 2018	1 January 2018
Property, plant and equipment	949	33	-
Intangible assets	86	-	-
Prepayments for fixed assets	1 324	540	1 180
	2 359	**573**	**1 180**

11. Inventories

	31 December 2019	31 December 2018	1 January 2018
Merchandise in stock	13 107	24 673	12 169
Raw materials	11 551	8 038	13 805
Finished goods	11 325	12 685	10 567
Package and materials for packaging	2 191	2 245	2 118
Spare parts	398	401	1 454
Semi-finished goods	198	340	347
Other inventories	267	267	303
	39 037	**48 649**	**40 763**

For the years ended 31 December 2019 and 2018, the Company did not recognize any impairment of inventories to net realizable value.

12. Trade receivables

	31 December 2019	31 December 2018	1 January 2018
Trade receivables from domestic customers	71 936	57 191	74 608
Trade receivables from foreign customers	4 777	2 663	1 329
	76 713	**59 854**	**75 937**

As at 31 December 2019 and 31 December 2018, 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 provisions for expected credit losses, provided by IFRS 9, which allows the accrual of the provision 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.

Past loss levels are adjusted for current and projected information about macroeconomic factors that affect customers' ability to repay receivables. Provision for expected credit losses of trade and other receivables is determined according to the provisioning matrix, which is shown in the table below. The provision matrix is based on the number of days overdue of the asset.
The analysis of trade and other receivables by maturity as of December 31 is presented below:

			Past due but not impaired					
	Total	**Neither past due nor impaired**	**up to 30 days**	**31-60 days**	**61-90 days**	**91-180 days**	**181-365 days**	**over 365 days**
2019	76 713	66 689	9 240	784	-	-	-	-
2018	59 854	53 845	5 782	227	-	-	-	-
2017	75 937	66 253	8 204	1 480	-	-	-	-

(in thousands of UAH, unless otherwise stated)

13. Receivables from prepayments

	31 December 2019	31 December 2018	1 January 2018
Advances made for services	1 208	956	1 093
Advances made for utilities	242	924	193
Advances made for inventories	38	408	676
VAT on prepayments	(47)	(182)	(69)
	1 441	**2 106**	**1 893**

14. Receivables from state budget

Receivables from state budget consists of value added tax receivable:

	31 December 2019	31 December 2018	1 January 2018
VAT receivable	-	1 108	7 691
	-	**1 108**	**7 691**

15. Other receivables

As of 31 December 2019, the balance of other receivables consists of the debt of the factoring company in the amount of UAH 1 006 thousand on trade receivables sold. The Company expects repayment of the debt in full within 60 days after the reporting date.

16. Cash and cash equivalents

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

	31 December 2019	31 December 2018	1 January 2018
Cash in bank	28 143	22 129	7 531
Cash in the electronic account of VAT	209	1 360	-
Cash in transit	-	3 042	-
	28 352	**26 531**	**7 531**

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

	31 December 2019	31 December 2018	1 January 2018
EUR	17 223	6 144	310
UAH	7 528	12 020	4 945
USD	3 392	3 965	2 276
	28 143	**22 129**	**7 531**

17. Equity capital

Authorized capital

As of 31 December 2019, the declared, registered and paid-up authorized capital amounted to UAH 159 912 thousand. (31.12.2018: UAH 159 912 thousand, 31.12.2017: UAH 159 912 thousand). The authorized capital of "Puratos Ukraine" LTD belongs to the owners indicated in the table in the following shares:

(in thousands of UAH, unless otherwise stated)

17. Equity capital *(continued)*

	31 December 2019,%	31 December 2018,%	1 January 2018,%
PURATOS NV, Belgium	100	100	100

As of 31 December 2019, the Company was registered in the form of a limited liability company in accordance with the definition provided by the legislation of Ukraine.

Other

The item "Change in accounting policy" in the amount of UAH 9 296 thousand in the Statement of Equity for 2018 includes the effect of the Company's transition to the preparation of financial statements in accordance with International Financial Reporting Standards as of 1 January 2018.

18. Long-term provisions

Long-term provisions for payments to employees:

	2019	2018
As of 1 January	**625**	**363**
Accrued during the period	482	262
As of 31 December	**1 107**	**625**

19. Short-term bank loans

The terms, carrying amount of liabilities and the type of interest rate as of 31 December 2019 are presented as follows:

	Interest rate type	Contract type	Effective interest rate	Repayment up to 1 year
Bank loans and borrowings in UAH	Fixed	Revolving loan	14,65%-21,25%	10 000
Interest payable				22
				10 022

The terms, carrying amount of liabilities and the type of interest rate as of 31 December 2018 are presented as follows:

	Interest rate type	Contract type	Effective interest rate	Repayment up to 1 year
Bank loans and borrowings in UAH	Fixed	Revolving loan	15,35%-21,25%	59 500
Interest payable				838
				60 338

The terms, carrying amount of liabilities and the type of interest rate as of 1 January 2018 are presented as follows:

	Interest rate type	Contract type	Effective interest rate	Repayment up to 1 year
Bank loans and borrowings in UAH	Fixed	Revolving loan	15,35%-21,25%	44 000
Interest payable				508
				44 508

(in thousands of UAH, unless otherwise stated)

19. Short-term bank loans *(continued)*

As of 31 December 2019, the Company's loan liabilities in the maximum amount of EUR 2 500 thousand were guaranteed by Puratos Group NV and Puratos NV (31 December 2018: EUR 1 500 thousand, 1 January 2018: EUR 1 500 thousand).

Changes in liabilities due to financial activities for the year ended 31 December 2019 are presented as follows:

	Loans and borrowings	Interest	Total
As of 1 January 2018	**44 000**	**508**	**44 508**
Cash transactions			
Proceeds from loans	198 300	-	198 300
Repayment of loans	(182 800)	-	(182 300)
Payment of interests	-	(10 339)	(10 339)
Non-cash transactions:			
Accrued interest	-	10 669	10 669
As of 31 December 2018	**59 500**	**838**	**60 338**
Cash transactions			
Proceeds from loans	3 081 000	-	3 081 000
Repayment of loans	(3 130 500)	-	(3 130 500)
Payment of interests	-	(6 887)	(6 887)
Non-cash transactions:			
Accrued interest	-	6 071	6 071
As of 31 December 2019	**10 000**	**22**	**10 022**

20. Trade payables

	31 December 2019	31 December 2018	1 January 2018
Payables for goods and services	51 645	52 208	81 916
Other payables	12 453	10 783	8 465
Payables for property, plant and equipment	246	335	-
	64 344	**63 326**	**90 381**

Trade payables are mainly represented by obligations for the delivered goods.

Trade payables are unsecured financial liabilities. Accounts payable to counterparties in Ukraine are usually repaid within 60-100 days after recognition.

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

21. Current provisions

	31 December 2019	31 December 2018	1 January 2018
Provisions for bonuses to employees	2 343	2 863	1 527
Provision for unused vacations	1 476	926	643
	3 819	**3 789**	**2 170**

(in thousands of UAH, unless otherwise stated)

21. Current provisions *(continued)*

The movement of provision for unused vacations for the period are given below:

	2019	2018
As of 1 January	**926**	**643**
Accrued	2 721	1 787
Used	(2 171)	(1 504)
As of 31 December	**1 476**	**926**

22. Revenue

	2019	2018
Revenue from sales of finished goods	312 412	200 363
Revenue from sales of merchandise	142 117	146 910
	454 529	**347 273**

23. Cost of sales

	2019	2018
Cost of finished goods sold	228 952	166 346
Cost of merchandise sold	96 085	104 373
	325 037	**270 719**

The cost of sales by nature of expenses in the reporting is as follows:

	2019	2018
Materials	295 806	246 588
Depreciation and maintenance costs of fixed assets	14 685	11 660
Salaries and related charges	6 363	4 475
Other expenses	8 183	7 996
	325 037	**270 719**

24. Administrative expenses

	2019	2018
Salaries and related charges	5 100	3 539
IT services	2 454	717
Depreciation and amortization	2 150	2 316
Professional services	1 382	797
Bank services	936	641
Other staff expenses	751	580
Security expenses	564	383
Insurance	559	354
Material expenses	340	172
Other expenses	423	499
	14 659	**9 998**

(in thousands of UAH, unless otherwise stated)

25. Selling expenses

	2019	2018
Salaries and related charges	19 163	14 416
Delivery expenses	10 170	8 447
IT services	4 775	15
Depreciation and amortization	3 233	4 443
Other staff expenses	3 311	2 410
Material expenses	2 965	2 319
Services provided by third parties	2 166	1 272
Marketing events, seminars for buyers	2 129	202
Market research	1 514	500
Fuel	1 220	981
Maintenance of property, plant and equipment	1 028	541
Other expenses	1 237	1 704
	52 911	**37 250**

26. Financial expenses

	2019	2018
Interest on loans	6 071	10 669
Interest on lease liabilities	8 595	8 704
Factoring	210	-
	14 876	**19 373**

27. Income tax

The components of income tax expense consisted of:

	2019	2018
Current income tax expense	1 731	-
Deferred tax	7 002	1 433
	8 733	**1 433**

The reconciliation of income tax expense / (benefit) and the product of result before tax multiplied by the applicable tax rate for 2019 and 2018 is presented below:

	2019	2019
Profit / (loss) before tax	47 551	5 202
Income tax at tax rate applicable in Ukraine, 18%	8 559	936
Expenses / (income) not considered for tax purposes	174	497
Income tax expense	**8 733**	**1 433**

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

	31 December 2019	Statement of profit and loss Origination and reversal of temporary differences	31 December 2018
Deferred tax assets			
Tax losses carried forward	-	(6 907)	6 907
Provisions	636	(71)	707
Property, plant and equipment	(105)	(24)	(81)
Net deferred tax assets / (liabilities)	**531**	**(7 002)**	**7 533**

(in thousands of UAH, unless otherwise stated)

27. Income tax *(continued)*

	31 December 2018	Statement of profit and loss Origination and reversal of temporary differences	1 January 2018
Deferred tax assets			
Tax losses carried forward	6 907	(1 922)	8 829
Provisions	707	387	320
Property, plant and equipment	(81)	102	(183)
Net deferred tax assets / (liabilities)	**7 533**	**(1 433)**	**8 966**

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.

28. Additional information to the statement of cash flows

Cash flow from operating activities, other payments

	2019	2018
Interest paid	15 677	19 042
Settlements with accountable persons	835	-
Spending on purchasing and selling foreign currency	695	286
Bank commission	618	630
Other payments	1 048	134
	18 873	**20 092**

29. 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 occur 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:

	2019	2018
Salaries and related charges	3 526	3 123

The Company had such balances on related party transactions:

	31 December 2019	31 December 2018	1 January 2018
Lease liabilities	(49 929)	(54 578)	(61 368)
Trade receivables	1 840	1 071	-
Trade payables	(30 044)	(41 478)	(70 858)

The Company had such transactions with related parties:

	2019	2018
Revenue	5 665	2 775
Purchase of goods and services	118 679	150 989

(in thousands of UAH, unless otherwise stated)

29. Transactions with related parties *(continued)*

Terms of agreements with related parties
Purchase or sale agreements with related parties are made on market terms. Balance sheet balances at the end of the year are unsecured, interest-free and payment for them is made 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 2019, the Company did not record any impairment of receivables from related parties.

30. Contingent and contractual liabilities

Taxation
Management believes that the Company has properly discharge its tax liabilities.

Legal issues
In the ordinary course of business, the Company is a party 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 2019 and 2018, no significant claims have been made against the Company.

31. 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. As 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.

The main categories of financial instruments

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

	31 December 2019	31 December 2018	1 January 2018
Financial assets			
Trade receivables	76 713	59 854	75 937
Other receivables	1 011	5	-
Cash and cash equivalents	28 352	26 531	7 531
	106 076	**86 390**	**83 468**
Financial liabilities			
Lease liabilities	49 929	54 578	61 368
Short-term loans	10 022	60 338	44 508
Trade payables	64 344	63 326	90 381
Other payables	964	586	602
	125 259	**178 828**	**196 859**

During 2019 and 2018, there were no shifts between levels of the hierarchy.

(in thousands of UAH, unless otherwise stated)

32. Financial risk management

The main risks inherent in 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 will fail to fully repay the amount of debt at the redemption date. 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 by 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 48% of the total revenue (2018: 52%). The balance of receivables of the five largest customers as of 31 December 2019 was 74% of the total balance of trade receivables (31 December 2018: 75%, 1 January 2018: 74%).

The average credit period for customers was: 2019 – 55 days, 2018 – 71 days.

The Company's policy on credit risk management is aimed at carrying out operations with contractors with a positive reputation and credit history. The Company's funds 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 during the repayment of its financial liabilities. Increase in a risk level may arise when the maturity of assets and liabilities do not match, when the maturity of financial assets exceeds the maturity of financial liabilities.

The task of the Company's management is to keep the 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.
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 revolving loan for a short term and it is impossible to predict the amount of interest payable. It is expected that it will not be significant.

31 December 2019	**Carrying amount**	**Total**	**On demand**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**
Lease liabilities	49 929	**160 614**	-	2 312	6 934	35 108	116 260
Short-term loans	10 022	**10 022**	-	10 022	-	-	-
Trade payables	64 344	**64 344**	-	64 344	-	-	-
Other payables	964	**964**	-	964	-	-	-
Provisions	4 926	**5 228**	-	-	3 819	1 409	-
	130 185	**241 172**	**-**	**77 642**	**10 753**	**36 517**	**116 260**

31 December 2018	**Carrying amount**	**Total**	**On demand**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**
Lease liabilities	54 578	**160 324**	-	2 333	6 998	36 687	114 306
Short-term loans	60 338	**60 338**	-	60 338	-	-	-
Trade payables	63 326	**63 326**	-	63 326	-	-	-
Other payables	586	**586**	-	586	-	-	-
Provisions	4 414	**4 894**	-	-	3 789	1 105	-
	183 242	**289 468**	**-**	**126 583**	**10 787**	**37 792**	**114 306**

(in thousands of UAH, unless otherwise stated)

32. Financial risk management *(continued)*

1 January 2018	Carrying amount	Total	On demand	1-3 months	3-12 months	1-5 years	Over 5 years
Lease liabilities	61 368	**175 721**	-	2 312	6 936	36 994	129 479
Short-term loans	44 508	**44 508**	-	44 508	-	-	-
Trade payables	90 381	**90 381**	-	90 381	-	-	-
Other payables	602	**602**	-	602	-	-	-
Provisions	2 533	**3 013**	-	-	2 170	843	-
	199 392	**314 225**	**-**	**137 803**	**9 106**	**37 837**	**129 479**

Foreign currency risk

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

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 currency risk as at the reporting dates presented in these financial statements:

31 December 2019	**EUR**	**USD**
Financial assets, TUAH	22 002	3 390
Financial liabilities, TUAH	(21 520)	-
	482	**3 390**

31 December 2018	**EUR**	**USD**
Financial assets, TUAH	8 809	3 963
Financial liabilities, TUAH	(35 086)	-
	(26 277)	**3 963**

1 January 2018	**EUR**	**USD**
Financial assets, TUAH	1 640	2 277
Financial liabilities, TUAH	(66 019)	-
	(64 379)	**2 277**

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.

	Increase (decrease) in interest rate	Effect on profit (loss) before tax
31 December 2019		
EUR / USD	+20%	96 / 678
EUR / USD	-10%	(48) / (339)
31 December 2018		
EUR / USD	+10%	(2 628) / 396
EUR / USD	-10%	2 628 / (396)
1 January 2018		
EUR / USD	+10%	(6 438) / 228
EUR / USD	-10%	6 438 / (228)

Capital management

The Company considers debt capital and authorized capital as the main sources of capital formation. The management's tasks when managing capital is to ensure the Company's ability to continue as a going concern to generate income for the founders and benefits for other interested parties, 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.

(in thousands of UAH, unless otherwise stated)

32. Financial risk management *(continued)*

The Company's management on an ongoing 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. A net debt includes all liabilities Company less cash and cash equivalents. Equity includes all equity components.

	31 December 2019	31 December 2018	1 January 2018
Lease liabilities (note 9)	49 929	54 578	61 368
Trade payables (note 20)	68 197	64 437	91 331
Short-term loans (note 19)	10 022	60 338	44 508
Provisions	4 949	4 430	2 536
Less: Cash and cash equivalents (note 11)	(28 352)	(26 531)	(7 531)
Net debt	**104 745**	**157 252**	**192 212**
Equity	149 579	110 761	106 992
Equity and net debt	**254 324**	**268 013**	**299 204**
Financial leverage ratio	**41%**	**59%**	**64%**

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.

33. Events after the reporting date

After 31 December 2019, the world and Ukrainian economies were significantly affected by an outbreak of coronavirus diseases (COVID-19). Almost all countries of the world were affected by the pandemic.

As of the date of these financial statements, numerous cases of the coronavirus disease (COVID-19) have been confirmed in Ukraine. In order to prevent the spread of the disease, the Ukrainian authorities assign territorial units of the state to different zones depending on the epidemiological situation, and the distribution of epidemiological zones is updated every two weeks. There are four zones - green, yellow, orange, red, depending on the prevalence of the disease in each zone. After the spread of the epidemic, the Odessa region and the city of Odessa were in different zones from "green" to "orange", some cities and territories were in the "red" zone.

The Company's revenue decreased by 3% for 9 months of 2020 compared to the same period in 2019, mainly due to the fall in the second quarter of 2020, which was caused by the pandemic.

The Company basically took the following steps to address the pandemic:

- a number of measures have been taken to ensure the health of production workers (working with mask for a certain number of workers, keeping distance at certain production territory, changing the transportation of employees to or from work, installing disinfectants in many places accessible for employees, temperature measurement at the entrance to the Company's territory, informing employees about methods of protecting their health, etc.);
- some office workers switched to remote working with remote access to accounting and control systems for employees.

Beside the abovementioned, 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.