LIMITED LIABILITY COMPANY "PURATOS UKRAINE"

FINANCIAL STATEMENTS
for the year ended 31 December 2020
with Independent Auditor's Report

LIMITED LIABILITY COMPANY "PURATOS UKRAINE"

FINANCIAL STATEMENTS
for the year ended 31 December 2020

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Nexia DK Audit LLC
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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 2020, 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 2020, 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 Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Ukraine, and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 2 to the financial statements, which describes the Company's operating environment in Ukraine. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises the information included in the Management Report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to 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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

The Engagement partner on the audit resulting in this independent auditor's report is Sergii Fedoruk.
Registration number in the Register of Auditors and Audit Entities: 100514

Sergii Fedoruk on behalf of Nexia DK Audit LLC
Kyiv, May 25, 2021

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

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

Management of the Company is responsible for the preparation of the financial statements that present fairly, in all material respects, the financial position of the Company as of 31 December 2020, 31 December 2019, and its financial performance and cash flows for the years ended 31 December 2020, 31 December 2019 in accordance with International Financial Reporting Standards (hereinafter referred to as "IFRS").

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

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

Management is also responsible for:

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

The financial statements of the Company as of 31 December 2020 were approved by management on 24 May 2021.

(Signature)

Director / Solovei Serhii Anatoliyovuch
(Position / Name)

(Signature)

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

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м. Одеса * Україна * Товариство з обмеженою відповідальністю
«ПУРАТОС УКРАЇНА»
Ідентифікаційний код 33933338

			CODES
	Date (year month day)		2021 | 01 | 01
Entity: **LIMITED LIABILITY COMPANY "PURATOS UKRAINE"**	acc. to EDRPOU		**33933338**
Territory: Odesa 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 mollusks	acc. to KVED		**46.38**
Average number of employees: 107			

Measuring unit: Thousands of UAH

Address: st. Chornomorskoho Kozatstva, 115, Odesa, Odesa region, 65003

BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
as of 31 December 2020

Form № 1 DKUD 1801001

Assets	Item No	Notes	At the beginning of the year	At the end of the year
1	2	3	4	5
I. Non-current assets				
Intangible assets:	1000	6	1 512	1 556
cost	1001		2 736	3 372
accumulated amortization	1002		(1 224)	(1 816)
Construction-in-progress	1005	8	2 359	801
Property, Plant and Equipment:	1010	7	131 171	120 460
cost	1011		181 712	186 700
accumulated depreciation	1012		(50 541)	(66 240)
Deferred tax assets	1045	25	531	168
Total, Non-current assets	**1095**		**135 573**	**122 985**
II. Current assets				
Inventories	1100	9	39 037	47 522
Raw materials and supplies	1101		14 407	19 840
work in progress	1102		198	220
finished goods	1103		11 325	12 812
merchandise	1104		13 107	14 650
Trade receivables	1125	10	76 713	68 482
Receivables from:				
prepayments	1130		1 441	1 318
State budget	1135		-	1 583
including income tax prepaid	1136		-	1 160
Receivables from accrued income	1140		1	-
Other receivables	1155	11	1 011	1 667
Current financial investments	1160		-	-
Cash and cash equivalents	1165	12	28 352	46 739
current bank accounts	1167		28 352	46 739
cash in transit	1168		-	-
Deferred expenses	1170		326	409
Other current assets	1190		222	88
Total, Current assets	**1195**		**147 103**	**167 808**
III. Non-current assets held for sale and discontinued operations	**1200**		-	-
TOTAL	**1300**		**282 676**	**290 793**

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				
Authorized capital	1400	13	159 912	159 912
Accumulated deficit	1420		(10 333)	(2 542)
Total, Equity	**1495**		**149 579**	**157 370**
II. Long-term liabilities and provisions				
Other long-term liabilities	1515	7	48 916	48 245
Long-term provisions	1520	14	1 107	1 358
Total, Long-term liabilities and provisions	**1595**		**50 023**	**49 603**
III. Current liabilities				
Short-term bank loans	1600	15	10 022	10 005
Payables for:				
long-term liabilities	1610	7	1 013	671
trade payables	1615	16	64 344	66 674
payables to state budget	1620		1 984	201
including income tax payable	1621		1 731	-
payables for insurance	1625		73	160
payables to employees	1630		964	776
advances received	1635		832	156
Current provisions	1660	17	3 819	5 151
Other current liabilities	1690		23	26
Total, Current liabilities	**1695**		**83 074**	**83 820**
IV. Liabilities associated with non-current assets held for sale and discontinued operations	**1700**		-	-
Net asset value of a non-state pension fund	**1800**		-	-
TOTAL	**1900**		**282 676**	**290 793**

Director Solovei Serhii Anatoliyovych

Chief Accountant Hulinska Svitlana Anatoliivna

м. Одеса * Україна * Товариство з обмеженою відповідальністю «ПУРАТОС УКРАЇНА» Ідентифікаційний код 33933838

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 2020

Form № 2 DKUD 1801003

I. PROFIT AND LOSS

Item	Item No	Notes	2020	2019
1	2	3	4	5
Revenue	2000	18	458 236	454 529
Cost of sales	2050	19	(352 961)	(325 037)
Gross: **profit**	2090		**105 275**	**129 492**
loss	2095		-	-
Other operating income	2120	20	6 399	2 008
Administrative expenses	2130	21	(16 426)	(14 659)
Selling expenses	2150	22	(56 456)	(52 911)
Other operating expenses	2180	23	(18 259)	(1 515)
Result from operating activities: **profit**	2190		**20 533**	**62 415**
loss	2195		-	-
Other financial income	2220		8	12
Financial expenses	2250	24	(10 587)	(14 876)
Other expenses	2270		(431)	-
Result before income tax: **profit**	2290		**9 523**	**47 551**
loss	2295		-	-
Income tax	2300	25	(1 732)	(8 733)
Net result for the year: **profit**	2350		**7 791**	**38 818**
loss	2355		-	-

II. OTHER COMPREHENSIVE INCOME

Item	Item No	Notes	2020	2019
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**		**7 791**	**38 818**

III. OPERATING EXPENSES

Item	Item No	2020	2019
1	2	3	4
Cost of materials used	2500	315 322	303 267
Payroll	2505	38 096	25 470
Social insurance contributions	2510	8 041	5 157
Depreciation and amortization	2515	17 203	17 132
Other operating expenses	2520	65 440	43 096
Total	**2550**	**444 102**	**394 122**

IV. EARNINGS PER SHARE

Item	Item No	2020	2019
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 Anatoliyovych

Chief Accountant Hulinska Svitlana Anatoliivna

м. Одеса * Україна * Товариство з обмеженою відповідальністю
«ПУРАТОС УКРАЇНА»
Ідентифікаційний код 33933338

STATEMENT OF CASH FLOWS (direct method)
for the year 2020

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	3000	398 403	404 249
Refund of taxes and fees	3005	1 237	-
Special-purpose financing	3010	427	285
Receipt of advances from customers	3015	149 892	119 724
Return of advances	3020	401	154
Interest on current accounts balances	3025	9	13
Penalties (fines) received	3035	70	23
Other receipts	3095	5 126	407
Disbursements for: Goods (works, services)	3100	(331 592)	(254 060)
Labor	3105	(29 466)	(24 140)
Payroll taxes	3110	(7 413)	(6 241)
Taxes and charges	3115	(26 641)	(29 405)
Payment of income tax	3116	(4 259)	-
Payment of VAT	3117	(14 697)	(23 114)
Payment of other taxes and charges	3118	(7 685)	(6 291)
Payment of advances	3135	(133 027)	(129 544)
Payment for return of advances	3140	(85)	(169)
Other payments	3190	(11 160)	(18 873)
Net cash flow from operating activities	**3195**	**16 181**	**62 423**
II. Cash flows from investing activities			
Proceeds from sales:			
Non-current assets	3205	363	-
Payments for:			
Non-current assets	3260	(5 283)	(7 992)
Net cash flows from investing activities	**3295**	**(4 920)**	**(7 992)**
III. Cash flows from financing activities			
Proceeds from loans and borrowings	3305	335 500	3 081 000
Repayment of borrowings	3350	(335 500)	(3 130 500)
Other payments	3390	(579)	(477)
Net cash flows from financing activities	**3395**	**(579)**	**(49 977)**
Net cash flow for the reporting period	**3400**	**10 682**	**4 454**
Cash balance at the beginning of the year	3405	28 352	26 531
Net effect of changes in foreign exchange rates on the cash balance	3410	7 705	(2 633)
Cash balance at the end of the year	**3415**	**46 739**	**28 352**

Director Solovei Serhii Anatoliyovych

Deputy Chief Accountant Hulinska Svitlana Anatoliivna

м. Одеса * Україна * Товариство з обмеженою відповідальністю «ПУРАТОС УКРАЇНА» Ідентифікаційний код 33933338

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

STATEMENT OF CHANGES IN EQUITY
for the year 2020

From № 4 DKUD 1801005

Item	Item No	Authorized capital	Revaluation surplus	Additional capital	Capital reserves	Accumulated deficit	Unpaid capital	Treasury shares	Total
1	2	3	4	5	6	7	8	9	10
At the beginning of the year	4000	159 912	-	-	-	(10 333)	-	-	149 579
At the beginning of the year, adjusted	4095	159 912	-	-	-	(10 333)	-	-	149 579
Net result for the year	4100	-	-	-	-	7 791	-	-	7 791
Total changes in capital	4295	-	-	-	-	7 791	-	-	7 791
At the end of the year	4300	159 912	-	-	-	(2 542)	-	-	157 370

Director Solovei Serhii Anatoliyovych

Deputy Chief Accountant Hulinska Svitlana Anatoliivna

STATEMENT OF CHANGES IN EQUITY
for the year 2019

From № 4 DKUD 1801005

Item	Item No	Authorized capital	Revaluation surplus	Additional capital	Capital reserves	Accumulated deficit	Unpaid capital	Treasury shares	Total
1	2	3	4	5	6	7	8	9	10
At the beginning of the year	4000	159 912	-	-	-	(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 Anatoliyovych

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 of companies that offers a full range of innovative products, raw materials, and experience in the bakery, confectionery, and chocolate industries.

The headquarters of the Group is located near Brussels (Belgium), where the company was founded in 1919. A century later, products and services are available in more than 100 countries around the world and, in many cases, are produced by a network of local subsidiaries.

The Group has had a representative office in Ukraine for over 10 years. Limited Liability Company "Puratos Ukraine" ("the Company") was registered on 28 November 2005. On 16 May 2016, a new modern plant of the Group was opened in the Odesa region.

The Company`s legal address is: 65003, Odesa region, Odesa, Chornomorskoho Kozatstva street, 115.
In 2020 the average headcount of the Company was 107 employees (2019: 94 employees).

2. The Company's operating environment in Ukraine

The Company operates in Ukraine. In recent years, the economic situation in Ukraine has shown signs of instability, as a result, the business activities in the country may be associated with risks that are not typical for countries with stable economies.

Ukraine has continued to limit its economic ties with Russia, taking into account the annexation of Crimea, the autonomous republic of Ukraine, and armed conflict in certain parts of Luhansk and Donetsk regions. Amid these events, the Ukrainian economy has demonstrated further refocusing on the European Union ("EU") market, realizing the potential of established Deep and Comprehensive Free Trade Area ("DCFTA") with EU, thus effectively responding to mutual trade restrictions between Ukraine and Russia.

Starting from April 2019, the National Bank of Ukraine ("NBU") began to liberalize its monetary policy and for the first time in recent years significantly reduced its discount rate (from 18% on 15.03.2019 to 6% on 12.06.2020 and at the end of 2020), which is supported by stable inflation forecast.

On 12 June 2020, the international rating agency Moody's Investors Service upgraded Ukraine's long-term sovereign credit rating in national and foreign currencies to B3 level from Caa1 level and changed the positive forecast to the stable forecast. On 11 September 2020, the international agency Standard & Poor's confirmed the long-term and short-term sovereign credit rating of Ukraine in foreign and national currencies at the "B/B" level with a stable forecast. Also, Standard & Poor's reaffirmed Ukraine's national scale rating at the level "uaA".

At the same time, in the second half of 2019, in the Ukrainian economy, there were emerging trends that continued in 2020, namely: a slight decline in industrial output, certain reforms and new legislative initiatives due to changes in political power in Ukraine. All these factors affect business activity, and create certain risks unusual for markets with a stable economy, cause an unfavourable investment climate and lead to an economic slowdown. The inflation rate in Ukraine in 2020 was 5% (2019: 4.1%), and the national currency has significantly weakened (hryvnia exchange rate against US dollar as of 31 December 2019 – UAH/USD 23.6862; as of 31 December 2020 – UAH/USD 28.2746).

Significant public debt payments were planned for 2020 in Ukraine, which required the mobilization of significant financial resources both inside and outside the country, in an environment where the challenges for developing economies are - growing. In June 2020, the International Monetary Fund (IMF) approved an 18-month (stand-by) program equivalent to $5 billion to ensure a balance of payments and budget support to help the Ukrainian government address the challenges posed by the COVID-19 pandemic. The approval of the agreement allowed the immediate payment of the equivalent of $2.1 billion.

At the end of 2019, news about the COVID-19 coronavirus arrived from China for the first time. In early 2020, the coronavirus spread around the world and its negative impact gained momentum. The global spread of COVID-19 has caused significant instability, uncertainty, and economic downturn in Ukraine and the world throughout 2020. The coronavirus has spread to more than 200 countries and continues to have a negative impact on the economic situation and the healthcare sector. There is considerable uncertainty about the extent to which COVID-19 will continue to spread, as well as the extent and duration of governmental measures to slow the spread of the coronavirus, such as quarantine, remote work, suspension of business operations, and other restrictions.

2. The Company's operating environment in Ukraine *(continued)*

The Company has taken a number of precautions to minimize risks to its employees, business, and working communities, including the organization of remote workplaces and the provision of means of individual protection to its employees. However, the Company's management cannot guarantee that these actions will be effective and sufficient to avoid problems in the Company's operations in the future.

The Company has assessed the impact of COVID-19 on impairment of assets, revenue-generating activities, the ability of the Company to generate sufficient cash flow to meet its obligations as they fall due, and the ability to continue as a going concern. At the date of issue of these financial statements, the impact of COVID-19 on the activities of the Company was not significant. Management of the Company continues to monitor the impact of COVID-19, namely its potential impact on the financial position, results of operations, cash flows, impairment of assets and solvency of the counterparties.

The ultimate impact of the COVID-19 pandemic will depend on future events, including, but not limited to, the geographical distribution and severity of the coronavirus; the consequences of governmental and other measures aimed at preventing the spread of the coronavirus, the development and implementation of effective methods of vaccination and treatment; duration of the outbreak of the disease; actions taken by government agencies, customers, suppliers and other third parties; availability of labour force; timing and degree of restoration of normal economic and operational conditions of the Company's activities in Ukraine. Management continues to work to identify, manage and mitigate the effects of the COVID-19 pandemic on the results of the Company; however, there are factors beyond the knowledge and control of management, including the duration and severity of the pandemic outbreak, as well as further governmental and regulatory actions.

3. Basis of preparation

3.1. Statement of compliance

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

3.2. Basis for measurement and preparation

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

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

3.3. Reporting period

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

3.4. Functional and presentation currency

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

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

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

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

(in thousands of UAH, unless otherwise stated)

3. Basis of preparation *(continued)*

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

	As of 31 December 2020	Average for 2020	As of 31 December 2019	Average for 2019
UAH/USD	28,2746	26,9575	23,6862	25,8456
UAH/EUR	34,7396	30,7879	26,4220	28,9518

3.5. Significant judgements, accounting estimates and assumptions of management

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

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

Impairment of property, plant and equipment
At each reporting date, the Company assesses whether there are indicators of possible impairment of a specific asset or group of assets forming a cash-generating unit. The evaluation of impairment of property, plant, and equipment requires the application of estimates which include determining the reason, time, and amount of impairment. The estimation of impairment is based on a number of factors such as a change in the current competitive environment, the expectation of the expansion of industry, increase in capital cost, changes in future accessibility of financing, technological deterioration, termination of a certain type of activity, current cost of reimbursement, and other changes in circumstances leading to the impairment recognition.

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

Valuation of inventories
Inventories are measured at a lower of cost and net realizable value. In determining the net realizable value of its inventories, management makes an estimate based on various assumptions, including current market prices.

At each reporting date, the Company values its inventories and, if necessary, writes them off to their net realizable value. Accordingly, the Company makes assumptions about the future use of inventories. These assumptions are based on information about inventory obsolescence.

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

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

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

3. Basis of preparation *(continued)*

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 course of business. Therefore, these financial statements do not contain any adjustments that could have been necessary if the Company were not able to continue as a going concern and if it realized its assets not in the ordinary course of business.

3.6. Changes in accounting policy and disclosures

The accounting policies used in the process of preparation of the financial statements are consistent with those followed in the Company's annual financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective, except for amendments to IFRS 16 related to Covid-19 impact.

Amendments to IFRS 3: Definition of a Business
The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Company, but may impact future periods should the Company take part in a business combination.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform
The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the financial statements of the Company as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8 Definition of Material
The amendments provide a new definition of material that states, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements, nor it is expected to have any future impact on the Company.

Conceptual Framework - Amendments to References to the Conceptual Framework in IFRS Standards, *issued on 29 March 2018*
The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the International Accounting Standards Board in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. The amendments will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Company.

Amendments to IFRS 16 Covid-19 Related Rent Concessions
On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees while applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16 if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the financial statements of the Company.

4. Summary of significant accounting policies

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

Classification into non-current (long-term) and current (short-term)
The Company presents assets and liabilities in its statement of financial position based on the classification into non-current and current assets and long-term and short-term liabilities. The Company classifies an asset as current if:
- the asset is expected to be realized or the Company intends to sell or consume it during its normal operating cycle;
- the asset is held mainly for sale;
- the Company expects to sell the asset within twelve months after the reporting date;
- an asset is cash or cash equivalents unless there is a restriction on the exchange or use of that asset to repay a liability for at least twelve months after the reporting date.

All other assets are classified as non-current.

The Company classifies a liability as current (short-term) if:
- the Company expects to repay this liability during its normal operating cycle;
- the liability is held primarily for sale;
- the liability is repayable within twelve months after the reporting date;
- the Company has no unconditional right to defer repayment of the liability for at least twelve months after the reporting date.

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

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

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

Fair value measurement assumes that the sale of an asset or the transfer of liability occurs either:
a) at the main market for that asset or liability; or
b) in the absence of the main market, the most favourable market for that asset or liability.

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are classified within the fair value hierarchy described below based on the lowest level inputs that are important to the fair value measurement as a whole:
- Level 1 - quotation prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation methods for which input data (other than quotation prices classified as Level 1) can be observed for an asset or liability, directly or indirectly;
- Level 3 - valuation techniques for which the input data to the asset or liability is not publicly available.

External valuers have been involved in measuring the fair value of certain groups of property, plant and equipment at the date of transition to IFRSs. Criteria for selecting valuers include market knowledge, reputation, independence and adherence to professional standards.
In order to disclose the fair value, the Company has determined classes of assets and liabilities based on the characteristics and risks of the assets or liabilities and the level of the fair value hierarchy, as explained above.

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

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

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

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

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

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

Contract balances

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

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

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

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

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

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

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

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

Taxes

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

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

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

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

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

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

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

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.

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

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

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

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

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

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

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

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

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

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

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

The estimated useful lives of intangible assets are as follows:

Intangible assets	3-10 years

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

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

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

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

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

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

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

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

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

On initial recognition of financial liabilities, the Company allocates them to a respective category. Subsequent reclassification of financial liabilities is not allowed.
The Company's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Events after reporting date
Events, which took place after the reporting date and prior to the date of approval of the financial statements which provide additional information regarding the financial statements of the Company, are reflected in the financial statements.

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

5. IFRS Standards issued but not yet effective

The Company has not adopted the following IFRS and Interpretations of IFRS Interpretations Committee published but not yet effective:
- "Interest Rate Benchmark Reform" (amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosure, IFRS 4 Insurance Contracts and IFRS 16 Leases) – Phase 2 – effective 1 January 2021;
- IFRS 3 "Business Combinations" - Reference to the Conceptual Framework - effective for annual periods beginning on or after 1 January 2022;
- IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" - Onerous Contracts—Cost of Fulfilling a Contract - effective for annual periods beginning on or after 1 January 2022;
- IAS 16 "Property, Plant and Equipment" - Proceeds before Intended Use - effective for annual periods beginning on or after 1 January 2022;
- Annual Improvements to IFRS 2018 – 2020 Cycle - effective for annual periods beginning on or after 1 January 2022;
- IAS 1 "Presentation of Financial Statements" - Classification of Liabilities as Current or Non-Current - the amendments are effective for annual reporting periods beginning on or after 1 January 2023;
- IFRS 17 "Insurance Contracts" – effective for annual periods beginning on or after 1 January 2023;
- IFRS 4 "Insurance Contracts" - extension of the temporary exemption from applying IFRS 9 Financial Instruments for annual periods beginning before 1 January 2023;
- IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - Definition of Accounting Estimates - will be effective for annual reporting periods beginning on or after 1 January 2023;
- IAS 1 "Presentation of Financial Statements", IFRS Practice Statement 2 "Making Materiality Judgements" - Disclosure of Accounting Policies - will be effective for annual reporting periods beginning on or after 1 January 2023;
- IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" (amendments) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – the effective date of the amendments has yet to be set by the IASB;
- IAS 12 "Income Taxes"- Deferred Lease and Decommissioning Taxes - are effective for annual periods beginning on or after 1 January 2023.

"Interest Rate Benchmark Reform" (amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosure, IFRS 4 Insurance Contracts and IFRS 16 Leases)

The amendments make changes to a number of hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the reform of IBOR. The amendments also require companies to disclose to investors additional information about hedging transactions that are directly affected by these uncertainties.

The amendments introduce a practical expedient for modifications required by the reform. These modifications are accounted for by updating the effective interest rate.

The Company believes that the changed standard will not affect the financial statements.

IFRS 3 Business Combinations - Reference to the Conceptual Framework

The amendments update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

The Company believes that the changed standard will not affect the financial statements.

5. IFRS Standards issued but not yet effective *(continued)*

IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts—Cost of Fulfilling a Contract

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

The Company believes that the changed standard will not affect the financial statements.

IAS 16 Property, Plant and Equipment — Proceeds before Intended Use

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

The Company believes that the changed standard will not affect the financial statements.

Annual Improvements to IFRS 2018 – 2020 Cycle

Annual Improvements make minor amendments to:
- *IFRS 1 "First-time Adoption of International Financial Reporting Standards":* - The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.;
- IFRS 9 *"Financial Instruments"* - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities which clarify the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability;
- Illustrative Example 13 accompanying IFRS 16 *"Leases"* - removes potential for confusion regarding lease incentives;
- IAS 41 *"Agriculture"* - The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude cash flows from taxation when measuring the fair value of a biological asset using a present value technique.

The Company believes that these changes will not affect the financial statements.

IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current

Amendments to the classification of current and long-term liabilities (Amendments to IAS 1) apply only to the presentation of liabilities in the statement of financial position and do not affect the amount or timing of recognition of any asset, income or expense or information that business entities disclose about these articles.
The purpose of the Amendments:
- clarify that the classification of current and long-term liabilities should be based on the rights existing at the end of the reporting period and align the wording in all relevant points of the standard, to refer to the "right" to deferred payments for at least twelve months and to state clearly that only the rights existing "at the end of the reporting period" should affect the classification of the obligation;
- clarify that the classification is not affected by expectations about whether the entity will exercise its right to defer repayment of the obligation;
- and clarify that the calculations relate to the transfer to the counterparty of cash, equity instruments, other assets or services.

The Company believes that amendments may affect the financial statements; however, its exact impact is undefined.

IFRS 17 — Insurance Contracts

IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. Company will be required to recognize profits as it delivers insurance services, rather than when it receives premiums, as well as to provide information about insurance contract profits that the company expects to recognize in the future.

The Company believes that the changed standard will not affect the financial statements.

(in thousands of UAH, unless otherwise stated)

5. IFRS Standards issued but not yet effective *(continued)*

IFRS 4 Insurance Contracts - extension of the temporary exemption from applying IFRS 9 Financial Instruments

Amendments allow application of IAS 39 Financial Instruments: Recognition and Measurement rather than IFRS 9 Financial Instruments for annual periods beginning before 1 January 2023.
The Company believes that the changed standard will not affect the financial statements.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.
The Company believes that the changed standard will not affect the financial statements.

IAS 1 Presentation of Financial Statements, IFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.
The Company believes that the changed standard will not affect the financial statements.

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

Narrow scope amendment addresses an acknowledged inconsistence between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.
The Company believes that the changed standard will not affect the financial statements.

6. Intangible assets

The following is information on the movement of intangible assets for 2020:

	Intangible assets
Cost	
As of 01 January 2019	**2 736**
As of 31 December 2019	**2 736**
Additions	636
As of 31 December 2020	**3 372**
Accumulated amortization	
As of 01 January 2019	**682**
Charge for the period	542
As of 31 December 2019	**1 224**
Charge for the period	592
As of 31 December 2020	**1 816**
Carrying amount	
As of 01 January 2019	**2 054**
As of 31 December 2019	**1 512**
As of 31 December 2020	**1 556**

As of 31 December 2020 and 31 December 2019, intangible assets were mainly represented by capitalized costs for commercial software, licenses.
The cost of capital investments in intangible assets is disclosed in line 1005 "Incomplete capital investments" of the statement of financial position.
Amortization of intangible assets is mainly included in administrative expenses.

(in thousands of UAH, unless otherwise stated)

7. Property, plant and equipment

The following is information on the movement of property, plant and equipment for the years ended December 31, 2020 and December 31, 2019:

	Buildings	Machinery and equipment	Transport vehicles	Fixture and fittings	Other fixed assets	Total
Cost						
As of 1 January 2019	**54 684**	**87 667**	**10 078**	**8 152**	**19 734**	**180 315**
Additions	-	3 212	-	1 051	816	5 079
Disposals	(3 652)	-	-	(30)	-	(3 682)
As of 31 December 2019	**51 032**	**90 879**	**10 078**	**9 173**	**20 550**	**181 712**
Additions	-	4 719	-	1 457	665	6 841
Disposals	-	-	(1 703)	(150)	-	(1 853)
As of 31 December 2020	**51 032**	**95 598**	**8 375**	**10 480**	**21 215**	**186 700**
Accumulated depreciation						
As of 1 January 2019	**3 004**	**21 028**	**5 094**	**3 042**	**2 547**	**34 715**
Charge for the period	2 696	9 370	1 099	1 606	1 085	15 856
Written off on disposal	-	-	-	(30)	-	(30)
As of 31 December 2019	**5 700**	**30 398**	**6 193**	**4 618**	**3 632**	**50 541**
Charge for the period	2 493	10 254	1 876	1 880	618	17 121
Written off on disposal	-	-	(1 337)	(85)	-	(1 422)
As of 31 December 2020	**8 193**	**40 652**	**6 732**	**6 413**	**4 250**	**66 240**
Carrying amount						
As of 1 January 2019	**51 680**	**66 639**	**4 984**	**5 110**	**17 187**	**145 600**
As of 31 December 2019	**45 332**	**60 481**	**3 885**	**4 555**	**16 918**	**131 171**
As of 31 December 2020	**42 839**	**54 946**	**1 643**	**4 067**	**16 965**	**120 460**

Additions for the year are represented by assets transferred from the category of construction-in-progress.
As of 31 December 2020, property, plant and equipment with a cost of UAH 3 283 thousand were fully depreciated, but still in use (31 December 2019: UAH 1 540 thousand).

(in thousands of UAH, unless otherwise stated)

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

Leases

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

The Company rents premises for office and production needs. The contract was extended in 2019 and as of 31 December 2020, the remaining lease term was 16 years.

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 2019	**50 964**	**1 613**	**52 577**
Additions	-	-	-
Depreciation charge	(2 629)	(379)	(3 008)
Modification of agreement terms	(3 652)	-	(3 652)
As of 31 December 2019	**44 683**	**1 234**	**45 917**
Depreciation charge	(2 426)	(380)	(2 806)
As of 31 December 2020	**42 257**	**854**	**43 111**

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

	Short-term lease liabilities	**Long-term lease liabilities**	**Total**
Lease liabilities			
As of 1 January 2019	**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 due to maturity of debt	895	(895)	-
As of 31 December 2019	**1 013**	**48 916**	**49 929**
Financial expenses	8 459	-	8 459
Lease payments	(9 472)	-	(9 472)
Reclassification due to maturity of debt	671	(671)	-
As of 31 December 2020	**671**	**48 245**	**48 916**

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

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

	31.12.2020	**31.12.2019**
Future minimum lease payments, including:		
up to 1 year	8 862	9 246
from 1 to 5 years	34 661	35 108
more than 5 years	107 594	116 260
Less: future interest leases payments	(102 201)	(110 685)
	48 916	**49 929**

(in thousands of UAH, unless otherwise stated)

8. Construction-in-progress

	31.12.2020	31.12.2019
Property, plant and equipment	801	949
Intangible assets	-	86
Prepayments for non-current assets	-	1 324
	801	**2 359**

9. Inventories

	31.12.2020	31.12.2019
Merchandise in stock	14 650	13 107
Raw materials	16 513	11 551
Finished goods	12 812	11 325
Package and materials for packaging	2 921	2 191
Spare parts	406	398
Semi-finished goods	220	198
Other inventories	-	267
	47 522	**39 037**

10. Trade receivables

	31.12.2020	31.12.2019
Trade receivables from local customers	66 802	71 936
Trade receivables from foreign customers	1 701	4 777
Allowance for expected credit losses	(21)	-
	68 482	**76 713**

As at 31 December 2020 and 31 December 2019, trade and other receivables are interest-free and are repaid in the ordinary course of business of the Company.

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

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

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

The analysis of trade and other receivables by maturity as of 31 December 2020 is presented below:

	Total	Neither past due nor impaired	Past due				
			up to 30 days	31-90 days	91-180 days	181-365 days	over 365 days
Nominal value	68 503	60 138	7 953	391	21	-	-
Expected loss rate		0%	0-5%	0-10%	100%	100%	100%
Expected loan loss	21	-	-	-	21	-	-

(in thousands of UAH, unless otherwise stated)

10. Trade receivables *(continued)*

The analysis of trade and other receivables by maturity as of 31 December 2019 is presented below:

	Total	Neither past due nor impaired	Past due				
			up to 30 days	31-90 days	91-180 days	181-365 days	over 365 days
Nominal value	76 713	66 689	9 240	784	-	-	-
Expected loss rate		0%	0-5%	0-10%	100%	100%	100%
Expected loan loss	-	-	-	-	-	-	-

11. Other receivables

As of 31 December 2020, the balance of other receivables mainly consists of the amounts due from the factoring company in respect of the transferred receivables in the amount of UAH 1 647 thousand (31 December 2019: UAH 1 006 thousand). The Company expects repayment of the receivables in full within 60 days after the reporting date.

12. Cash and cash equivalents

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

	31.12.2020	31.12.2019
Cash in bank	44 606	28 143
Cash on electronic VAT account	2 133	209
Cash in transit	-	-
	46 739	**28 352**

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

	31.12.2020	31.12.2019
EUR	44 606	28 143
UAH	2 133	209
	46 739	**28 352**

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

In assessing whether cash and cash equivalents are impaired, the Company considers the following factors:
- significant financial difficulties of the bank;
- breach of contract, such as default or late payment for the contract for more than a few days;
- bankruptcy or other financial reorganization of the bank becomes probable.

13. Equity capital

Authorized capital

As of 31 December 2020, the declared, registered and fully paid authorized capital amounted to UAH 159 912 thousand (31.12.2019: UAH 159 912 thousand). The authorized capital of the Company belongs to the owners indicated in the table in the following shares:

	31.12.2020, %	31.12.2019, %
PURATOS NV, Belgium	100	100

As of 31 December 2020, the Company was registered in the form of a limited liability company in accordance with the legislation of Ukraine.

(in thousands of UAH, unless otherwise stated)

14. Long-term provisions

Long-term provisions for payments to employees:

	2020	2019
As of 1 January	**1 107**	**625**
Accrued during period	461	482
Used during period	(210)	-
As of 31 December	**1 358**	**1 107**

15. Short-term bank loans

The terms, carrying amount of liabilities and the type of interest rate as of 31 December 2020 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	7,00%-12,95%	10 000
Interest payable				5
				10 005

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

As of 31 December 2020, 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 2019: EUR 2 500 thousand).

Changes in liabilities arisen from financial activities for the year ended 31 December 2019 and 31 December 2020 are presented as follows:

	Short-term bank loans	Interest	Total
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**
Cash transactions			
Proceeds from loans	335 500	-	335 500
Repayment of loans	(335 500)	-	(335 500)
Payment of interests	-	(692)	(692)
Non-cash transactions:			
Accrued interest	-	675	675
As of 31 December 2020	**10 000**	**5**	**10 005**

(in thousands of UAH, unless otherwise stated)

16. Trade payables

	31.12.2020	31.12.2019
Payables for goods and services	54 680	51 645
Other payables	11 994	12 453
Payables for property, plant and equipment	-	246
	66 674	**64 344**

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

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

17. Current provisions

	31.12.2020	31.12.2019
Provisions for bonuses to employees	3 769	2 343
Provision for unused vacations	1 382	1 476
	5 151	**3 819**

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

	2020	2019
As of 1 January	**1 476**	**926**
Accrued	3 066	2 721
Used	(3 160)	(2 171)
As of 31 December	**1 382**	**1 476**

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

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

18. Revenue

	2020	2019
Revenue from sales of finished goods	378 734	312 412
Revenue from sales of merchandise	79 502	142 117
	458 236	**454 529**

19. Cost of sales

	2020	2019
Cost of finished goods sold	304 588	228 952
Cost of merchandise sold	48 373	96 085
	352 961	**325 037**

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

	2020	2019
Materials	311 545	295 806
Depreciation and maintenance costs of property, plant and equipment	18 475	14 685
Salaries and related charges	11 181	8 183
Other expenses	11 760	6 363
	352 961	**325 037**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2020
(in thousands of UAH, unless otherwise stated)

20. Other operating income

	2020	2019
Exchange rate difference	4 748	939
Income from the purchase and sale of currency	902	962
Other operating income	749	107
	6 399	**2 008**

21. Administrative expenses

	2020	2019
Salaries and related charges	5 717	5 100
Depreciation and amortization	2 896	2 150
Professional services	2 111	1 382
IT services	1 859	2 454
Bank services	894	936
Insurance	789	559
Other staff expenses	711	751
Security expenses	632	564
Material expenses	227	340
Other expenses	590	423
	16 426	**14 659**

22. Selling expenses

	2020	2019
Salaries and related charges	22 789	19 163
Delivery expenses	9 199	10 170
Services provided by third parties	7 272	2 166
IT services	6 107	4 775
Material expenses	2 628	2 965
Depreciation and amortization	2 178	3 233
Other staff expenses	2 175	3 311
Market research	1 199	1 514
Fuel	921	1 220
Maintenance of property, plant and equipment	563	1 028
Marketing events, seminars for buyers	255	2 129
Other expenses	1 170	1 237
	56 456	**52 911**

23. Other operating expenses

	2020	2019
Royalty	6 206	-
Costs of bought and sold foreign currency	2 540	-
Impairment of assets	920	1 135
Other expenses	8 593	380
	18 259	**1 515**

24. Financial expenses

	2020	2019
Interest on lease liabilities	8 459	8 595
Interest on loans	675	6 071
Factoring	246	210
Other expenses	1 207	-
	10 587	**14 876**

(in thousands of UAH, unless otherwise stated)

25. Income tax

The components of income tax expense consisted of:

	2020	2019
Current income tax expense	1 369	1 731
Deferred tax	363	7 002
	1 732	**8 733**

The reconciliation of income tax expense / (benefit) and the product of result before tax multiplied by the applicable tax rate for 2020 and 2019 is presented below:

	2020	2019
Profit / (loss) before tax	9 523	47 551
Income tax at tax rate applicable in Ukraine, 18%	1 714	8 559
Expenses / (income) not considered for tax purposes	18	174
Income tax expense	**1 732**	**8 733**

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

	31 December 2020	**Statement of profit and loss** Origination and reversal of temporary differences	**1 January 2020**
Deferred tax assets			
Provisions	168	(468)	636
Property, plant and equipment	-	105	(105)
Net deferred tax assets / (liabilities)	**168**	**(363)**	**531**

	31 December 2019	**Statement of profit and loss** Origination and reversal of temporary differences	**1 January 2019**
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**

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.

26. Additional information to the statement of cash flows

Cash flow from operating activities, other payments

	2020	2019
Interest paid	9 624	15 677
Bank commission	848	618
Settlements with accountable persons	509	835
Spending on purchasing and selling foreign currency	-	695
Other payments	179	1 048
	11 160	**18 873**

(in thousands of UAH, unless otherwise stated)

27. Transactions with related parties

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

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

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

	2020	2019
Salaries and related charges	4 173	3 526

The Company had the following balances on related party transactions:

	31.12.2020	31.12.2019
Lease liabilities	48 757	49 929
Trade receivables	1 235	1 840
Trade payables	(29 493)	(30 044)

The Company had the following transactions with related parties:

	2020	2019
Revenue	10 999	5 665
Purchase of goods and services	112 339	118 679
Royalty	6 206	

Other transactions with related parties
The Company leases the building from related parties and accounts for the leases in accordance with IFRS 16. Accordingly, as of 31 December 2020, rights-of-use assets and lease liabilities were recognized in the amount of UAH 42 257 thousand and UAH 48 757 thousand, respectively (Note 7) (December 31, 2019: UAH 44 683 thousand and UAH 49 191 thousand, respectively). In 2020, the Company recognized the depreciation of the right-of-use asset in the amount of UAH 2 426 thousand (2019: UAH 2 629 thousand). Interest expenses were recognized in the amount of UAH 8 232 thousand (2019: UAH 8 251 thousand).

Terms of agreements with related parties
Purchase or sale agreements with related parties are made on market terms. Balances at the end of the year are unsecured, interest-free and are repaid in cash. The Company has not received (provided) any collateral or guarantees in respect of receivables or payables of related parties. For the year ended 31 December 2020, the Company did not record any impairment of receivables from related parties.

28. Contingent and contractual liabilities

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

Legal issues
In the ordinary course of business, the Company is subject to legal proceedings and certain claims are made against it. In the opinion of the Company's management, the ultimate liability, if any, for such cases or claims will not have a material effect on the financial position or performance of the Company. As of 31 December 2020 and 2019, no significant claims have been made against the Company.

(in thousands of UAH, unless otherwise stated)

29. Fair value of financial instruments

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

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

The main categories of financial instruments

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

	31.12.2020	31.12.2019
Financial assets		
Trade receivables	68 482	76 713
Other receivables	1 667	1 011
Cash and cash equivalents	46 739	28 352
	116 888	**106 076**
Financial liabilities		
Lease liabilities	48 916	49 929
Short-term loans	10 005	10 022
Trade payables	66 674	64 344
Other payables	776	964
	126 371	**125 259**

During 2020 and 2019, there were no transfers between levels of the fair value hierarchy.

30. Financial risk management

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

Credit and concentration risks

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

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

Revenue from five largest customers accounted for 48% of the total revenue (2019: 48%). The balance of receivables of the five largest customers as of 31 December 2020 was 77% of the total balance of trade receivables (31 December 2019: 74%).

The average credit period for customers was: 2020 – 58 days, 2019 – 55 days.

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

(in thousands of UAH, unless otherwise stated)

30. Financial risk management (continued)

Liquidity risk

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

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

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

31 December 2020	Carrying amount	On demand	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Lease liabilities	48 916	-	2 216	6 646	34 661	107 594	151 117
Short-term loans	10 005	-	10 005	-	-	-	10 005
Trade payables	66 674	-	66 674	-	-	-	66 674
Other payables	776	-	776	-	-	-	776
	126 371	**-**	**79 671**	**6 646**	**34 661**	**107 594**	**228 572**

31 December 2019	Carrying amount	On demand	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Lease liabilities	49 929	-	2 312	6 934	35 108	116 260	160 614
Short-term loans	10 022	-	10 022	-	-	-	10 022
Trade payables	64 344	-	64 344	-	-	-	64 344
Other payables	964	-	964	-	-	-	964
	125 259	**-**	**77 642**	**6 934**	**35 108**	**116 260**	**235 944**

Foreign currency risk

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

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

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

31 December 2020	EUR	USD
Financial assets	41 384	-
Financial liabilities	(22 898)	-
	18 486	-

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

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.

(in thousands of UAH, unless otherwise stated)

30. Financial risk management (continued)

	Increase (decrease) in exchange rate	Effect on profit (loss) before tax
31 December 2020		
EUR	+20%	3 697
EUR	-10%	(1 849)
31 December 2019		
EUR / USD	+20%	96 / 678
EUR / USD	-10%	(48) /(339)

Capital management

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

The Company's management on an 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. Net debt includes loans and borrowings, lease liabilities, trade and other payables, provisions of the Company less cash and cash equivalents. Equity includes all equity components.

	31 December 2020	31 December 2019
Lease liabilities	48 916	49 929
Short-term loans	10 005	10 022
Trade payables	66 674	64 344
Provisions and other current liabilities	6 535	4 949
Less: Cash and cash equivalents	(46 739)	(28 352)
Net debt	**85 391**	**100 892**
Equity	157 370	149 579
Equity and net debt	**242 761**	**254 324**
Financial leverage ratio	**35%**	**40%**

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.

31. Events after the reporting date

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