

**“AMACO Ukraine”
Limited Liability Company**

Financial Statements and Management Report
for the year ended 31 December 2021

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Independent Auditors' Report

To the Shareholders of "AMACO Ukraine" Limited Liability Company

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of "AMACO Ukraine" Limited Liability Company (the "Company"), which comprise the statement of financial position as at 31 December 2021, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Law of Ukraine "On accounting and financial statements in Ukraine" on preparation of the financial statements.

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants 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 the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audited entity: "AMACO Ukraine" Limited Liability Company

Registration number in the Unified State Register of Legal Entities:
No. 21665011.

Independent auditor: Private Joint-Stock Company KPMG Audit, a company incorporated under the Laws of Ukraine, a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Registration number in the Unified State Register of Legal Entities: No. 31032100.

Registration number in the Register of Auditors and Audit Organizations: 2397.

Address: 32/2 Kniiaziv Ostrozkykh Str., Kyiv, 01010, Ukraine.



Material Uncertainty Related to Going Concern

We draw attention to Note 1(b) of the financial statements, which describes the negative effects on the Company's operations of the military invasion launched by the Russian Federation on the territory of Ukraine on 24 February 2022. As also stated in Note 1(b), these events or conditions, along with other matters as set out in that Note, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters Incorporating the Most Significant Risks of Material Misstatements, Including Assessed Risk of Material Misstatements Due to Fraud

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Except for the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that there are no other key audit matters to communicate in our report.

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 auditors' 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 Law of Ukraine "On accounting and financial statements in Ukraine" on preparation of the financial statements, 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 management



either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our



independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors’ report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of Article 14(4) of the Law of Ukraine on “*Audit of the Financial Statements and the Audit Activity*” we provide the following information in our Independent Auditors’ Report, which is required in addition to the requirements of ISAs.

Appointment of the Auditor and Period of Engagement

We were appointed by management on 17 February 2021 to audit the financial statements of the Company as at and for the year ended 31 December 2021. Our total uninterrupted period of audit engagements is seven years, covering the years ended 31 December 2015 to 31 December 2021.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 6(4) of the Law of Ukraine on “*Audit of the Financial Statements and the Audit Activity*” were provided.

In addition, for the period to which our statutory audit relates, we have not provided any services to the Company in addition to the audit.

Additional Report to Those Charged with Governance

We confirm that our auditors’ report is consistent with the additional report we have provided to the those charged with governance of the Company.

The engagement partner on the audit resulting in this independent auditors’ report is:

Yulia Tereshchenko

Registration No. 101451 in the Register of Auditors and Audit Organizations

Deputy Director

PJSC “KPMG Audit”

31 May 2023

Kyiv, Ukraine



"AMACO Ukraine" Limited Liability Company
Financial Statements as at and for the year ended 31 December 2021
Statement of financial position as at 31 December 2021

<i>(in thousands of Ukrainian hryvnias)</i>	Notes	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	5	105,231	85,203
Intangible assets		6,304	958
Investment property		9,037	9,037
Deferred tax assets	20	19,116	24,010
Lease assets	6	5,234	5,322
		144,922	124,530
Current assets			
Inventories	7	651,324	477,142
Trade and other receivables	8	150,660	154,778
Prepayments made	9	57,225	40,331
Income tax receivable		1,269	-
Other taxes receivable		16,628	19,504
Cash and cash equivalents	10	227,398	150,579
		1,104,504	842,334
TOTAL ASSETS		1,249,426	966,864
EQUITY AND LIABILITIES			
EQUITY			
Charter capital	11	452,140	452,140
Additional paid-in capital		1,045	1,045
Retained earnings (accumulated deficit)	11	(247,215)	(374,030)
TOTAL EQUITY		205,970	79,155
Non-current liabilities			
Non-current other payables	14	-	3,723
Long-term lease liabilities	6	1,083	2,906
		1,083	6,629
Current liabilities			
Loans and borrowings	12	199,264	261,709
Short-term lease liabilities	6	4,383	2,615
Trade and other payables	14	620,971	459,830
Contract liabilities	13	188,271	136,716
Taxes payable		261	192
Current provisions and accruals	15	29,223	20,018
		1,042,373	881,080
TOTAL LIABILITIES		1,043,456	887,709
TOTAL EQUITY AND LIABILITIES		1,249,426	966,864

Dmytro Borodiy
 General Director

31 May 2023

**"АМАКО
 УКРАЇНА"**
 Ідентифікаційний
 код 21665011

Eugene Kaminsky
 Chief Financial Officer

"AMACO Ukraine" Limited Liability Company
Financial Statements as at and for the year ended 31 December 2021
Statement of profit or loss and other comprehensive income for the year ended 31 December 2021

<i>(in thousands of Ukrainian hryvnias)</i>	Notes	2021	2020
Revenue	16	2,204,967	1,433,941
Cost of sales		(1,868,949)	(1,210,488)
Gross profit		336,018	223,453
Other income	17	11,422	5,013
General and administrative expenses	18	(81,254)	(67,240)
Distribution expenses	19	(119,333)	(80,352)
Other expenses		(11,425)	(6,683)
Impairment losses on trade and other receivables	8	(24,529)	(14,453)
Profit from operating activities		110,899	59,738
Finance income		4,056	4,176
Forex exchange gain (loss)		40,723	(106,110)
Interest expenses		(4,288)	(19,453)
Net finance income (costs)		40,491	(121,387)
Profit (loss) before income tax		151,390	(61,649)
Income tax (expense) benefit	20	(24,575)	9,563
Net profit (loss) and total comprehensive income (loss) for the year		126,815	(52,086)


Dmytro Borodiy
General Director


Eugene Kaminsky
Chief Financial Officer

31 May 2023

“AMACO Ukraine” Limited Liability Company
Financial Statements as at and for the year ended 31 December 2021
Statement of changes in equity for the year ended 31 December 2021

<i>(in thousands of Ukrainian hryvnias)</i>	Charter capital	Additional paid-in capital	Retained earnings/ (accumulated deficit)	Total
Balance as at 1 January 2020	452,140	1,045	(321,944)	131,241
Total comprehensive loss for the year	-	-	(52,086)	(52,086)
Balance as at 31 December 2020	452,140	1,045	(374,030)	79,155
Total comprehensive income for the year	-	-	126,815	126,815
Balance as at 31 December 2021	452,140	1,045	(247,215)	205,970



 Dmytro Borodiy
 General Director

31 May 2023

**“АМАКО
 УКРАЇНА”**
 Ідентифікаційний
 код 21665011



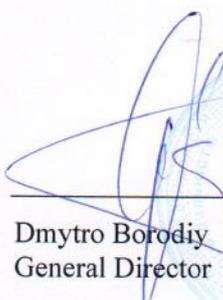
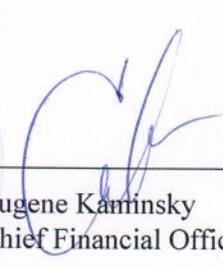
 Eugene Kaminsky
 Chief Financial Officer

“AMACO Ukraine” Limited Liability Company
Financial Statements as at and for the year ended 31 December 2021
Statement of cash flows for the year ended 31 December 2021

<i>(in thousands of Ukrainian hryvnias)</i>	Notes	2021	2020
Operating activities			
Profit (loss) before income tax		151,390	(61,649)
<i>Adjustments for:</i>			
Depreciation and amortisation expenses		22,036	12,445
Impairment of property, plant and equipment		1,810	-
Write-down of inventories	7	13,419	11,815
Net (gain) loss on disposal of property, plant and equipment		(1,080)	540
Interest income		(4,056)	(4,176)
Interest expense		4,288	19,453
Net foreign exchange (gain) loss		(40,723)	106,110
Impairment losses on trade and other receivables	8	24,529	14,453
Impairment losses on prepayments made	9	540	328
Other adjustments		-	(301)
Cash from operating activities before changes in working capital		172,153	99,018
Change in inventories		(187,601)	(31,042)
Change in trade and other receivables		(19,022)	140,509
Change in prepayment made		(17,434)	(27,019)
Change in taxes receivable and payable		2,945	(26,661)
Change in trade and other payables and accruals		197,234	38,445
Change in contract liabilities		51,555	103,508
Cash flows from operations before income taxes paid		199,830	296,758
Income tax paid		(20,950)	-
Net cash from operating activities		178,880	296,758
Investing activities			
Acquisition of property, plant and equipment and other non-current assets		(45,517)	(40,030)
Proceeds from sale of property, plant and equipment and other non-current assets		1,218	-
Repayments of loans granted		-	6,770
Interest received		2,226	1,573
Net cash used in investing activities		(42,073)	(31,687)

“AMACO Ukraine” Limited Liability Company
Financial Statements for the year ended 31 December 2020
Statement of cash flows for the year ended 31 December 2020
 (continued)

<i>(in thousands of Ukrainian hryvnias)</i>	Notes	2021	2020
Financing activities			
Proceeds from borrowings		61,126	27,900
Repayment of borrowings		(117,184)	(134,518)
Interest paid		(157)	(17,880)
Payment of lease liabilities		(4,704)	(3,173)
Net cash used in financing activities		(60,919)	(127,671)
Net increase in cash and cash equivalents		75,888	137,400
Effect of foreign exchange rate fluctuations		931	344
Cash and cash equivalents at 1 January		150,579	12,835
Cash and cash equivalents at 31 December		227,398	150,579

 _____ Dmytro Borodiy General Director		 _____ Eugene Kaminsky Chief Financial Officer
31 May 2023		

“AMACO Ukraine” Limited Liability Company
Financial Statements as at and for the year ended 31 December 2020
Notes to the Financial Statements

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1. Reporting entity

(a) Organisation and operations

Limited Liability Company “AMACO Ukraine” (the “Company”) was established in 1992 under the laws of Ukraine.

The ownership structure of the Company is as follows:

	<u>31 December 2021</u>	<u>31 December 2020</u>
American Machinery Company Limited (Isle of Man)	98.7%	98.7%
Mr. Saad A.Al.Khorayef (Saudi Arabia)	1.3%	1.3%
Total	<u>100.0%</u>	<u>100.0%</u>

Abdullah Ibrahim Alkhorayef Sons Co. owns 100% of American Machinery Company Limited.

The Company is ultimately controlled by two members of Al.Khorayef family, who have the power to direct the transactions of the Company at their own discretion and for their own benefit. None of them can direct the Company at his own discretion individually.

The principal operations of the Company are distribution of agricultural machinery and spare parts supported by services and consulting.

The principal place of business of the Company is located at the following address: 2, Brovarska street, Prolisky village, Kyivska oblast, Ukraine.

(b) Business environment and going concern

The Company's operations are primarily located in Ukraine. Consequently, the Company is exposed to the economic and financial markets of Ukraine, which display characteristics of an emerging market. The political and economic situation in Ukraine has been subject to significant turbulence in recent years. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes, which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Ukraine.

On 24 February 2022, Russian troops commenced military activities in multiple locations of Ukraine. These ongoing activities have led to casualties, significant dislocation of the population, damage to infrastructure, introduction of certain administrative restrictions on currency conversion transactions and payments abroad by the National Bank of Ukraine and overall significant disruption to economic activity in Ukraine. This has also had a detrimental impact on the political and business environment in Ukraine, including on the ability of many entities to continue business as usual.

In current circumstances, the Company continues its operating activities.

The Company has its property, plant and equipment with carrying value of UAH 11,972 thousand and inventory amounting to UAH 35,014 thousand as at 31 December 2021 which are located at the territory of Kherson region that is deoccupied from Russian troops but is close to the military activities zone as at the date of these financial statements. However, management believes that these assets are not critical for continuing the Company's operations.

In conjunction with its going concern assessment, management concluded that the Company will be able to continue as a going concern based on the following considerations, among other things:

— The major part of Company's assets are located at safe locations as at the date these financial statements were authorized for issue. There are no indications that large-scale military actions approaching the main locations of the Company's business in future;

— As at the date of these financial statements were authorized for issue, the Company maintains inventory level that is sufficient for uninterrupted operation in the visible future;

- The Company has sufficient human resources to continue to operate in the foreseeable future. The Company’s staff is not expected to relocate to other regions or abroad due to significant distance to the nearest military actions. Besides, the specific of the Company business allows major part of staff to work online;
- In management’s view, the Company should have sufficient financial resources to support its ongoing operating activities in the foreseeable future. The main sources of financing are expected to be operating cash flows. The Company also has opened bank credit line sufficient to cover temporary cash shortage, if any;
- The Company has diversified business both geographical and by product portfolio that allows it to minimize the risks and support business continuity in long-term perspective;
- Currently imposed regulation of foreign currency rates has been even considered by the Company’s management as positive factor for the Company as importer. Sea ports export limitations continue to affect the customers’ ability to export, meanwhile, the logistics system gradually shifts to trucks and trains instead of centralized logistic services provided by the ports and the big agricultural companies start to organise their own logistic departments. Combined effect of these logistic changes is expected to minimise the negative impact of potential further complication of supply chains on the Company’s operating activity;
- 44% of the Company’s total current liabilities as at 31 December 2021 is due to the entities under common control of the shareholder. The Company obtained the letter of support from the ultimate parent company stating that it would not recall or otherwise demand the repayment of the liabilities due to it. Subsequent to the year end, the Company has repaid part of its outstanding liability due to the ultimate parent company in amount of USD 2,776 thousands;
- As at the date of these financial statements, the Company’s management and shareholders do not intend to suspend or liquidate the Company’s activities in Ukraine.

However, as at the date these financial statements military activities in Ukraine continue to develop and have already had a negative impact on the Company, primarily due to the loss of the part of markets and assets at the occupied territories or territories of active military actions. Besides, the Company is sensitive to the purchasing power of its main customers, agricultural producers. Prolongation of military activities may result in interruption of the sowing/harvesting campaigns or destruction of sowed fields at the occupied territories or territories under active military actions. Also it may result in prolongation of existing or additional administrative restrictions from the National Bank of Ukraine and Ukrainian authorities’ restrictions that may pose a threat to the operational activities and in further complication of supply chains for both the Company and its customers.

As a result, these events and conditions, including future possible negative development of military activities in Ukraine and their duration, indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. These financial statements have been prepared on a going concern basis and do not include any adjustments that would be necessary, if the Company was unable to continue as a going concern.

These financial statements reflect management's current assessment of the impact of the Ukrainian business environment on the operations and the financial position of the Company. The future business environment may differ from management's assessment.

2. Basis of accounting

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and the requirements of the Law of Ukraine “On accounting and financial statements in Ukraine” on preparation of the financial statements.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for investment property that has been measured at its fair value.

3. Functional and presentation currency

The national currency of Ukraine is the Ukrainian hryvnia (“UAH”), which is the functional currency of the Company and the currency in which these financial statements are presented.

All financial information presented in UAH has been rounded to the nearest thousands, except when otherwise indicated.

The principal UAH exchange rates used in the preparation of these financial statements are as follows:

Reporting date	<u>31 December 2021</u>	<u>31 December 2020</u>
UAH/EUR	30.92	34.74
UAH/USD	27.28	28.27

4. Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is as follows:

- **Going concern.** Refer to Note 1(b).
- **Net realisable value of inventory.** Management estimates the necessity of write down of inventory to its net realisable value taking into consideration selling prices subsequent to the period end, the physical condition of inventories and the purpose for which inventory is held. Should the cost of inventory not be fully recoverable, the Company would be required to record expenses to adjust inventory to net realisable value (refer to Note 7).
- **Recognition of deferred tax assets.** Management estimates an availability of future taxable profit against which carry-forward tax losses can be used. A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised (refer to Note 20).
- **Presentation of participants’ interests in charter capital.** The Company was incorporated as a limited liability company, implying that each of the participants has a legally enforceable right to claim the withdrawal of its interest from the Company. In this case, the Company is obligated to repay the amount of such interest within twelve months after the date of the claim.

The amendment *Puttable Financial Instruments and Obligations Arising on Liquidation to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements* require participants' interests in limited liability companies to be classified as equity, rather than liabilities, if, along with other criteria, the total expected cash flows attributable to the instrument over the life of the instrument are based substantially on the profit or loss, change in the recognised net assets or change in the fair value of the recognised and unrecognized net assets over the life of the instrument, and there are no other instruments issued that have cash flows based substantially on the above items or restrict or fix the residual return to the puttable instrument holders. Although the exercise price for puttable instruments is based on the entity's statutory financial statements, management believes that the difference between the IFRS and statutory financial statements are temporary and expected to converge over time. Consequently, in the view of management, the above criteria are met. Management concluded that the participants' interests in the Company comply with all criteria for recognition of equity instruments under IFRS and as such are presented as equity as at 31 December 2021 and 2020.

- **Measurement of ECL allowance** for trade accounts receivable and contract assets – Notes 8, 23(b)(ii), and 24(j)(i).

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

There were no transfers between levels of the fair value hierarchy during the years ended 31 December 2021 and 2020.

Further information about the assumptions made in measuring fair values is included in Note 23(e).

5. Property, plant and equipment

<i>(in thousands of Ukrainian hryvnias)</i>	Land	Buildings	Machinery and equipment	Vehicles	Other	Construction in progress	Total
Cost							
At 31 December 2019	-	49,181	5,764	33,058	24,961	21,916	134,880
Additions	-	-	17,126	874	2,349	18,981	39,330
Internal transfers	-	31,930	265	46	175	(32,416)	-
Disposals	-	(15)	(58)	(877)	(2,395)	-	(3,345)
At 31 December 2020	-	81,096	23,097	33,101	25,090	8,481	170,865
Additions	1,851	6,380	1,706	23,834	5,306	-	39,077
Internal transfers	-	5,927	49	85	119	(6,180)	-
Disposals	-	(13)	(96)	(1,603)	(2,012)	(1,810)	(5,534)
At 31 December 2021	1,851	93,390	24,756	55,417	28,503	491	204,408
Accumulated depreciation and impairment losses							
At 31 December 2019	-	(28,809)	(3,559)	(24,388)	(22,640)	-	(79,396)
Depreciation for the year	-	(3,129)	(1,152)	(2,537)	(2,253)	-	(9,071)
Disposals	-	12	50	359	2,384	-	2,805
At 31 December 2020	-	(31,926)	(4,661)	(26,566)	(22,509)	-	(85,662)
Depreciation for the year	-	(5,297)	(4,578)	(3,827)	(3,399)	-	(17,101)
Disposals	-	6	79	1,570	1,931	-	3,586
At 31 December 2021	-	(37,217)	(9,160)	(28,823)	(23,977)	-	(99,177)
Net book value							
At 31 December 2019		20,372	2,205	8,670	2,321	21,916	55,484
At 31 December 2020		49,170	18,436	6,535	2,581	8,481	85,203
At 31 December 2021	1,851	56,173	15,596	26,594	4,526	491	105,231

Depreciation expenses for the year ended 31 December 2021 of UAH 60 thousand were allocated to cost of sales (2020: UAH 116 thousand), UAH 6,678 thousand to general and administrative expenses (2020: UAH 4,157 thousand) and UAH 10,363 thousand to distribution expenses (2020: UAH 4,798 thousand).

6. Lease

The Company leases offices, warehouses and land. The leases, except for land, typically run for a period less than 3 years, with an option to renew the lease after that date. Lease payments are renegotiated every year to reflect market rentals.

Information about leases for which the Company is a lessee is presented below.

(i) Right-of-use assets

(in thousands of Ukrainian hryvnias)

	Buildings	Land	Total
Balance at 1 January 2020	3,517	138	3,655
Depreciation charge for the year	(3,119)	(6)	(3,125)
Disposals of right-of-use assets	-	(132)	(132)
Modification of right-of-use assets	775	-	775
Additions to right-of-use assets	4,149	-	4,149
Balance at 31 December 2020	5,322	-	5,322
Depreciation charge for the year	(3,841)	-	(3,841)
Additions to right-of-use assets	3,753	-	3,753
Balance at 31 December 2021	5,234	-	5,234

Depreciation expenses for the year ended 31 December 2021 of UAH 3,841 thousand have been charged to general and administrative expenses (2020: UAH 3,125 thousand).

(ii) Lease liabilities

(in thousands of Ukrainian hryvnias)

	Buildings	Land	Total
Balance at 1 January 2020	(3,731)	(159)	(3,890)
Interest expenses for the year	(563)	-	(563)
Payments for the year	3,163	10	3,173
Additions to lease liabilities	(4,149)	-	(4,149)
Disposals of lease liabilities	-	149	149
Modification of lease liabilities	(241)	-	(241)
Balance at 31 December 2020	(5,521)	-	(5,521)
Interest expenses for the year	(896)	-	(896)
Payments for the year	4,704	-	4,704
Additions to lease liabilities	(3,753)	-	(3,753)
Balance at 31 December 2021	(5,466)	-	(5,466)

Lease liabilities as at 31 December 2021 is separated into long-term lease liabilities of UAH 1,083 thousand and short-term lease liabilities of UAH 4,383 thousand (31 December 2020: UAH 2,906 thousand and UAH 2,615 thousand, respectively).

The Company also leases several municipal land plots. In accordance with IFRS 16, variable payments that are independent of an index or rate, i.e. do not reflect changes in market rental rates, should not be included in the calculation of the lease liability. Regarding the lease of municipal land plots, where the lease payments are based on the cadastral value of the land plot and do not change until the next potential revision of this value or payments (or both) by the authorities, the Company has determined that such lease payments are neither variable (which depend on any index or rate or reflect changes in market lease rates) nor are they substantially fixed, and therefore these payments are not included in the lease liability estimate.

The future cash outflows to which the Company is potentially exposed that are not reflected in the measurement of lease liabilities are as follows:

(in thousands of Ukrainian hryvnias)

	2021	2020
Less than one year	1,191	1,122
Between one and five years	4,764	4,489
More than five years	33,512	34,455
Total	39,467	40,066

7. Inventories

(in thousands of Ukrainian hryvnias)

	31 December 2021	31 December 2020
Goods for resale	606,798	442,920
Goods in transit	41,808	31,186
Raw materials	2,718	3,036
	651,324	477,142

During the year ended 31 December 2021, inventory write-down was made by the Company in the amount of UAH 13,419 thousand (2020: UAH 11,815 thousand).

8. Trade and other receivables

(in thousands of Ukrainian hryvnias)

	31 December 2021	31 December 2020
Trade accounts receivable due from third parties, net	125,912	138,845
Trade accounts receivable due from related parties (Note 22 (b))	1,340	1,863
Warranty reimbursement receivables	18,607	11,084
Other receivables	4,801	2,986
Total current trade and other receivables	150,660	154,778

Impairment losses

The credit quality of trade and other receivables as at 31 December is as follows:

(in thousands of Ukrainian hryvnias)

	31 December 2021				31 December 2020			
	Not credit impaired	Credit- impaired	Loss allowance	Carrying amount	Not credit impaired	Credit- impaired	Loss allowance	Carrying amount
Not past due	76,296	-	(1,952)	74,344	90,246	-	(108)	90,138
Past due:								
0-3 months	65,259	-	(1,298)	63,961	58,475	-	(1,241)	57,234
3-12 months	-	30,644	(18,289)	12,355	-	12,194	(4,788)	7,406
More than 1 year	-	20,982	(20,982)	-	-	24,304	(24,304)	-
	141,555	51,626	(42,521)	150,660	148,721	36,498	(30,441)	154,778

For current receivables expected credit losses were calculated based on lifetime expected-credit losses model.

For circumstances considered by the Company in order to assess a financial asset as credit-impaired refer to Note 24(j)(i).

During the year ended 31 December movements in allowance for impairment for trade and other receivables were as follows:

(in thousands of Ukrainian hryvnias)

	2021	2020
Balance as at 1 January	30,441	17,499
Increase in allowance	24,529	14,453
Write-offs	(12,449)	(1,511)
Balance as at 31 December	42,521	30,441

The Company's exposure to credit risk and impairment losses related to trade and other receivables is disclosed in Note 23(b)(ii).

For transactions with related parties refer to Note 22.

9. Prepayments made

(in thousands of Ukrainian hryvnias)

	31 December 2021	31 December 2020
Prepayments made	58,744	41,310
Allowance for impairment	(1,519)	(979)
	57,225	40,331

During the year ended 31 December movements in allowance for impairment for prepayments made were as follows:

(in thousands of Ukrainian hryvnias)

	2021	2020
Balance as at 1 January	979	651
Increase in allowance	540	328
Balance as at 31 December	1,519	979

10. Cash and cash equivalents

(in thousands of Ukrainian hryvnias)

	31 December 2021	31 December 2020
Cash in local currency	190,179	150,232
Cash in foreign currency	37,219	347
	227,398	150,579

The Company’s exposure to credit and currency risks related to cash and cash equivalents is disclosed in Note 23(b)(ii).

11. Equity

(a) Charter capital

Participants in a limited liability company have voting, profit distribution, and capital repayment rights proportionally to the size of their contribution to the charter capital, including the right of unilateral withdrawal of their share of the company’s assets.

(b) Retained earnings (accumulated deficit)

In accordance with the Ukrainian legislation, entities can distribute all profits as dividends or transfer them to reserves as specified in their charters. Subsequent use of amounts transferred to reserves may be legally restricted; amounts transferred to reserves typically must be used for the purpose designated when the transfer is made. Profit distributions by the Company are normally only declared from current or retained earnings as shown in the financial statements and not out of amounts previously transferred to reserves.

(c) Capital management

The Company has no formal policy for capital management but management seeks to maintain a sufficient capital base for meeting the Company’s operational and strategic needs, and to maintain confidence of market participants. This is achieved with efficient cash management, constant monitoring of Company’s revenues and EBITDA, and long-term investment plans. With these measures the Company aims for steady growth. There were no changes in capital management policy during the year ended 31 December 2021.

12. Loans and borrowings

As at the end of the reporting years, the terms and debt repayment schedule of loans and borrowings are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	Year of maturity	Effective rate	Currency	Carrying value
31 December 2021				
<i>Current liabilities</i>				
Ukrainian leasing company	2022	7.30%	UAH	3,506
Due to related party	2021	2.71%	USD	<u>195,758</u>
Total current loans and borrowings				<u>199,264</u>
Total				<u><u>199,264</u></u>
31 December 2020				
<i>Current liabilities</i>				
Due to related party	2021	2.74%	USD	<u>261,709</u>
Total current loans and borrowings				<u>261,709</u>
Total				<u><u>261,709</u></u>

As at 31 December 2021, loan in amount of UAH 195,758 thousand due to related party was overdue and payable on demand (31 December 2020: UAH 82,974 thousand).

As at 31 December 2021, the Company had undrawn UAH 64,922 thousand (equivalent of USD 2,380 thousand) of credit line facility, which matures in July 2022 (31 December 2020: UAH 67,306 thousand, equivalent USD 2,380 thousand).

The Company’s exposure to interest rate, currency and liquidity risks related to loans and borrowings is disclosed in Note 23(c).

The balances and transactions with related parties are disclosed in Note 22.

13. Contract liabilities

As at 31 December 2021 and 2020, the contract liabilities primarily relate to the advance consideration received from domestic customers for dispatching of machinery and spare parts, which is expected to occur over the next year.

The amount of UAH 136,716 thousand recognised in contract liabilities at the beginning of the year has been recognised as revenue for the year ended 31 December 2021.

14. Trade and other payables

(in thousands of Ukrainian hryvnias)

	31 December 2021	31 December 2020
<i>Non-current other payables</i>		
Other payables due to related parties	-	3,723
Total non-current other payables	-	3,723
<i>Current trade and other payables</i>		
Trade payables due to third parties	356,890	272,284
Trade payables due to related parties	127,857	42,230
Other payables due to related parties	106,502	128,874
Other payables	29,722	16,442
Total current trade and other payables	620,971	459,830
Total	620,971	463,553

As at 31 December 2021, other payables due to related parties represent payables with carrying value of UAH 106,502 thousand or EUR 3,444 thousand (31 December 2020: UAH 118,894 thousand or EUR 3,422 thousand) for irrevocable documentary commercial letter of credit opened with a foreign bank and payable by related party in favour of the Company’s supplier. Under the arrangement, the bank agrees to pay amounts to the supplier in respect of invoices owed by the Company and receives settlement from the related party at a later date. From the Company’s perspective, the arrangement extends payment terms beyond the normal terms. The Company incurs additional interest towards the related party on the amounts due.

These payables are payable according to the schedule with last payment due in December 2021. The amount of the related party’s remuneration is 3.9% of the value of the letter of credit to be paid in February 2022. As at 31 December 2021, UAH 102,517 thousand or EUR 3,315 thousand is overdue (31 December 2020: UAH 69,103 thousand or EUR 1,989 thousand).

The Company discloses the amounts factored by suppliers within trade and other payables because the nature of the financial liability remain the same as those of other trade payables.

As at 31 December 2020, other payables due to related parties with carrying amount of UAH 14,000 thousand represent interest free unsecured financial aid.

The Company’s exposure to currency and liquidity risks related to trade and other accounts payable is disclosed in Note 23. The balances and transactions with related parties are disclosed in Note 22.

15. Current provisions and accruals

(in thousands of Ukrainian hryvnias)

	31 December 2021	31 December 2020
Warranty provision	18,607	11,084
Unused vacation	10,616	8,934
	29,223	20,018

16. Revenue

(in thousands of Ukrainian hryvnias)

	2021	2020
Revenue from machinery sale	1,456,688	839,916
Revenue from spare parts sale	715,939	563,668
Revenue from services	32,023	29,685
Other	317	672
Total revenue from contracts with customers	2,204,967	1,433,941

Majority of the Company’s revenues is earned in Ukraine.

17. Other income

<i>(in thousands of Ukrainian hryvnias)</i>	<u>2021</u>	<u>2020</u>
Rent income	7,270	1,320
Inventories received free of charge	2,265	2,349
Income from sale of property, plant and equipment	1,080	-
Penalties	690	482
Write-off trade and other accounts payable	-	641
Other	117	221
	<u>11,422</u>	<u>5,013</u>

18. General and administrative expenses

<i>(in thousands of Ukrainian hryvnias)</i>	<u>2021</u>	<u>2020</u>
Salaries and related charges	44,278	40,502
Depreciation	10,733	7,282
Repairs and maintenance	4,454	2,654
Utilities, office supply	4,358	3,677
Professional services	3,656	2,712
Security services	3,365	2,594
Bank charges	1,785	979
Other taxes	1,349	1,278
Fuel	1,016	1,462
Lease payments not included in the measurement of lease liabilities	676	1,266
Business trips	452	351
Other	5,132	2,483
	<u>81,254</u>	<u>67,240</u>

In 2021, total employee benefits comprised UAH 159,121 thousand (2020: UAH 103,459 thousand) and are mainly charged to general and administrative expenses and distribution expenses.

19. Distribution expenses

<i>(in thousands of Ukrainian hryvnias)</i>	<u>2021</u>	<u>2020</u>
Salaries and related charges	89,409	62,779
Depreciation	10,363	4,798
Fuel	6,410	3,183
Advertising and marketing	5,764	4,293
Repairs and maintenance	3,148	1,876
Business trips	1,257	959
Other	2,982	2,464
	<u>119,333</u>	<u>80,352</u>

20. Income tax (expense) benefit

The applicable income tax rate for the Company is 18%.

Income tax (expense) benefit for the years ended 31 December is as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	2021	2020
Current tax expense	(19,681)	-
Deferred tax (expense) benefit	(4,894)	9,563
Total income tax (expense) benefit	(24,575)	9,563

(a) Reconciliation of effective tax rate

The difference between the total expected income tax benefit (expense) computed by applying the statutory income tax rate in Ukraine to the (loss) profit before taxation and the reported income tax benefit (expense) is as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	2021	%	2020	%
Profit / (Loss) before income tax	151,390	100%	(61,649)	100%
Income tax (expense) benefit at applicable tax rate	(27,250)	18.0%	11,097	18.0%
Change in estimates related to prior year	3,071	2.0		
Non-deductible items	(396)	(0.3%)	(1,534)	(2.5%)
Effective income tax (expense) benefit	(24,575)	(16.2%)	9,563	15.5%

(b) Recognised deferred tax assets

Recognised deferred tax assets as at 31 December are attributable to the following:

<i>(in thousands of Ukrainian hryvnias)</i>	Assets		Liabilities		Net	
	2021	2020	2021	2020	2021	2020
Inventories	12,784	9,912		-	12,784	9,912
Trade and other receivables	7,658	6,708		-	7,658	6,708
Prepayments made	97	175		-	97	175
Property, plant and equipment	204	149		-	204	149
Trade and other payables	-	-		(184)	-	(184)
Investment property	-	-	(1,627)	(1,627)	(1,627)	(1,627)
Contract liability	-	-	-	(303)	-	(303)
Tax losses carried forward (do not expire under current legislation)	-	9,180		-	-	9,180
Deferred tax assets/ (liabilities)	20,743	26,124	(1,627)	(2,114)	19,116	24,010

All movements in recognised deferred tax assets (liabilities) are recognised in profit or loss.

21. Contingencies

(a) Litigations

The Company is subject to legal actions and complaints in its ordinary course of business. Management believes that it is unlikely that a significant settlement or loss of assets will arise out of such lawsuits and no respective provision is required in the Company’s financial statements as at the reporting dates.

(b) Taxation contingencies

The Company performs most of its operations in Ukraine and therefore within the jurisdiction of the Ukrainian tax authorities. The Ukrainian tax system can be characterized by numerous taxes and

frequently changing legislation which may be applied retroactively, open to wide interpretation and in some cases are conflicting. Instances of inconsistent opinions between local, regional, and national tax authorities and between the Ministry of Finance and other state authorities are not unusual.

Tax declarations are subject to review and investigation by a number of authorities that are enacted by law to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years, however under certain circumstances a tax year may remain open longer.

These facts create tax risks substantially more significant than typically found in countries with more developed systems. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

22. Related party transactions

The Company performs transactions with related parties in the ordinary course of business. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party when making financial and operational decisions. Related parties comprise the participant, companies that are controlled or significantly influenced by the participants, key management personnel of the Company, their close family members. Prices for related party transactions are determined on an ongoing basis and may differ from market terms.

(a) Transactions with key management personnel

Remuneration to key management personnel for the year ended 31 December 2021 is represented by salaries and bonuses payable in cash amounting to UAH 9,129 thousand (2020: UAH 9,912 thousand).

The key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company.

(b) Transactions and balances with entities under common control

The balances with entities under common control as at 31 December are shown at their carrying values and are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	<u>31 December 2021</u>	<u>31 December 2020</u>
Assets		
Trade and other receivables (Note 8)	1,340	1,863
	<u>1,340</u>	<u>1,863</u>
Liabilities		
Loans and borrowings (Note 12)	195,758	261,709
Trade and other payables (Note 14)	234,359	174,827
	<u>430,117</u>	<u>436,536</u>

Transactions with entities under common control for the years ended 31 December are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	<u>2021</u>	<u>2020</u>
Revenue	5,010	13,212
Other income	149	296
Purchases	(285,218)	(79,850)
Foreign exchange gain/(loss)	21,731	(70,616)
Interest expense	(1,541)	(15,035)

Balances with entities under common control are not secured.

Trade and other receivables and payables are to be settled in cash. The terms and debt repayment schedule of loans are disclosed in Note 12.

23. Financial instruments and risk management

(a) Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk.

This note presents information about the Company’s exposure to each of the above risks, the Company’s objectives, policies and processes for measuring and managing risk, and the Company’s management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

Management has overall responsibility for the establishment and oversight of the Company’s risk management framework. The Participant oversees how management monitors compliance with risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks.

The Company’s risk management policies are established to identify and analyse the risks faced by the Company to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company’s activities.

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from receivables from customers.

(i) Exposure to credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

(ii) Trade and other receivables

The Company’s exposure to credit risks is influenced mainly by the individual characteristics of each customer. In monitoring customer credit risk, the Company separates customers that are part of the big agroholdings and have specific contract terms as individually significant customers.

Usually, the Company does not require collateral in respect of trade and other receivables.

The Company establishes an allowance for impairment that represents its estimate of expected credit losses in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to collectively assessed exposures.

There is one customer, a leasing company, which comprises 15% from the total revenue of the Company for the year ended 31 December 2021 (31 December 2020: no such customers).

For individually significant customers the Company applied general approach in measurement of ECL that includes the following key inputs:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

The Company measured ECL for current receivables as lifetime ECLs and for receivables with significant financing component as 12-months ECLs, if no significant increase of credit risk took place from their initial recognition. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD and 12-months – by multiplying the 12-months PD by LGD and EAD.

As at 31 December 2021, from the total amount of trade and other receivables UAH 23,259 thousand (2020: UAH 71,914 thousand) represent individually assessed debtors, for the remaining debtors Company applied collective matrix approach.

PD for individually significant debtors was assessed by transforming key financial ratios of the debtors into PD based on information recently published by Moody’s. The majority of individually assessed debtors was located in Ukraine and their credit rating was assessed as medium credit risk.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default.

For other individually non-significant customers, the Company uses an allowance matrix to measure the ECLs of trade and other receivables from individual customers, which comprise a large number of small balances. Loss rates are calculated using a ‘roll rate’ method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Loss rates are based on actual credit loss experience over the past 3 years.

Trade receivables with a contractual amount of UAH 12,449 thousand were written off during 2021 as uncollectible (2020: UAH 1,511 thousand).

For circumstances considered by the Company in order to assess a financial asset as credit-impaired refer to Note 24 (j)(ii).

(iii) Cash and cash equivalents

The Company held cash and cash equivalents of UAH 227,398 thousand at 31 December 2021 (31 December 2020: UAH 150,579 thousand), which represents its maximum credit exposure on these assets. As at 31 December 2021 and 2020 all cash and cash equivalents balances were held within Ukrainian banks not rated by the international rating agencies. Nevertheless, these Ukrainian banks are the part of the international financial groups. As at 31 December 2021, majority of the balances are held with Ukrsibbank. As at 31 December 2021 and 2020, cash and cash equivalents are neither impaired nor past due and have low credit risk (Stage 1 of credit risk).

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company’s reputation.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations.

The contractual maturities of non-derivative financial liabilities including estimated interest payments are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	Carrying amount	Contractual cash flows	Less than 1 year and overdue	From 1 to 5 years
31 December 2021				
Loans and borrowings	199,264	199,566	199,566	-
Trade and other accounts payable	620,971	620,984	620,984	-
Lease liabilities	5,466	5,662	4,383	1,279
	<u>825,701</u>	<u>826,212</u>	<u>824,933</u>	<u>1,279</u>

<i>(in thousands of Ukrainian hryvnias)</i>	Carrying amount	Contractual cash flows	Less than 1 year and overdue	From 1 to 5 years
31 December 2020				
Loans and borrowings	261,709	262,610	262,610	-
Trade and other accounts payable	463,553	464,322	459,830	4,492
Lease liabilities	5,521	5,920	3,008	2,912
	<u>730,783</u>	<u>732,852</u>	<u>725,448</u>	<u>7,404</u>

Contractual cash flows in the table above are based on the contractual maturities of underlying financial instruments.

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company’s income or the carrying value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Company’s exposure to applicable market risks is presented below.

(i) Currency risk

The Company is primarily exposed to currency risk through loans and borrowings, trade accounts receivable and payable, cash and cash equivalents denominated in USD and EUR.

Exposure to currency risk

The Company is exposed to currency risk to the extent that there is a mismatch between currencies in which sales, purchases and borrowings are denominated and UAH. The Company has primary exposure to the USD and EUR exchange rate fluctuations.

In respect of monetary assets and liabilities denominated in foreign currencies, the Company’s policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The exposure to foreign currency risk is as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	31 December 2021		31 December 2020	
	EUR	USD	EUR	USD
Assets				
Trade and other accounts receivable	1,488	-	5,736	-
Cash and cash equivalents	-	37,219	347	-
Liabilities				
Loans and borrowings	-	(195,758)	-	(261,709)
Trade and other accounts payable	(381,079)	(104,846)	(199,045)	(73,703)
Net short position	(379,591)	(263,385)	(192,962)	(335,412)

Sensitivity analysis

A change of UAH exchange rates, as indicated below, against the EUR and USD at the reporting dates would have decreased or increased the Company’s net profit or loss and equity by the amounts presented below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of each reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

<i>(in thousands of Ukrainian hryvnias)</i>	Change of foreign currency rate		Effect on net profit or loss and equity	
	Increase	Decrease	Increase of net loss/ Decrease of net profit and equity	Decrease of net loss/Increase of net profit and equity
31 December 2021				
EUR	10%	-10%	(31,126)	31,126
USD	10%	-10%	(21,598)	21,598
31 December 2020				
EUR	10%	-10%	(15,823)	15,823
USD	10%	-10%	(27,504)	27,504

(ii) Interest rate risk

Changes in interest rates impact primarily loans and borrowings, other payables to related party and trade accounts receivable by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). At the time of raising new borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Company over the expected period until maturity. The information about maturity dates and interest rates of loans and borrowings is disclosed in Note 12, other payables to related party – in Note 14 and trade receivables – in Note 8.

As at 31 December the interest rate profile of the Company’s interest bearing financial instruments was as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	31 December 2021	31 December 2020
Fixed rate instruments		
Loans due to Ukrainian bank	-	-
Other payables due to related party	106,502	118,894
Trade accounts receivable due from third parties, net	-	44,882
Variable rate instruments		
Borrowings due to related party	195,758	261,709
Ukrainian leasing company	3,506	-

The Company does not account for any financial instruments as fair value through profit or loss or fair value through other comprehensive income. Therefore a change in interest rates at the reporting dates would not have any effect on profit or loss or on equity. Reasonably possible changes in interest rates will not have a significant impact on profit or loss.

(e) Fair values

As at 31 December 2021 and 2020 the fair values of all financial assets and liabilities are estimated to approximate their carrying values due to their short-term nature and/or market interest rates at period end.

(f) Reconciliation of movements of liabilities to cash flows arising from financing activities (loans and borrowings)

<i>(in thousands of Ukrainian hryvnias)</i>	2021	2020
Balance at 1 January	261,709	312,532
Changes from financing cash flows		
Proceeds from borrowings	61,126	27,900
Repayment of borrowings	(117,184)	(134,518)
Interest paid	(157)	(17,880)
Total changes from financing cash flows	(56,215)	(124,498)
The effect of changes in foreign exchange rates	(8,920)	54,909
 Liability-related other changes		
Interest expense	2,690	18,766
Total liability-related other changes	2,690	18,766
Balance as at 31 December	199,264	261,709

24. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Revenue

The Company accounts for revenue in accordance with IFRS 15 *Revenue From Contracts with Customers*.

The Company defines the contract with the customer as an agreement between two or more parties that creates enforceable rights and obligations, where customer is a party that has contracted with an entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration. Enforceability of the rights and obligations in a contract is a matter of law. The contracts of the Company are concluded in written form. The Company has no complex sales arrangements, customers' contracts are expected to have single performance obligation and the contracts have neither variable nor non-cash consideration.

The Company determined that there is one performance obligation under contracts with customers on sale of goods. Performance obligation under these contracts is satisfied when goods are dispatched to customer from the supplier' premises, which was taken to be the point in time at which the customer accepted the goods and the related risks and rewards of ownership transferred. There is no related shipping and handling activities related to sale of goods and contract prescribes pre/post payment for goods sold without any sales incentives.

The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor, has pricing latitude and is also exposed to inventory and credit risks.

(i) Sale of machinery and spare parts

Revenue from the sale of machinery and spare parts is recognised in profit or loss at a point in time, when control of the goods is transferred to the customer.

The indicators that control has passed are assessed by the management for each contract and include the customer having:

- a present obligation to pay;
- physical possession;
- legal title;
- the risks and rewards of ownership; and
- accepted the asset.

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a good to a customer.

Customers obtain control when the goods are delivered to and have been accepted by the customer. Invoices are generated at that point in time. Invoices are usually payable within 30-60 days. No discounts are provided.

Control is passed when the goods are physically transferred/dispatched to customers.

(ii) Sale of services

Revenue is recognised over time as those services are provided. As the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Company's services provided to date, the Company uses practical expedient available in IFRS 15 and recognises revenue in the amount to which the Company has a right to invoice. Invoices for services provided are issued on a monthly basis.

Under IFRS 15, the total consideration in the service contracts is allocated to all services based on their stand-alone selling prices. The stand-alone selling price is determined based on the list prices at which the Company sells the services in separate transactions.

(iii) Financing component

As a practical expedient, for those contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer does not exceed one year, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if the Company expects, at contract inception, that the period between when the Company transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

(b) Finance income and costs

Finance income comprises interest income on funds invested and is recognised as it accrues in profit or loss, using the effective interest method. Finance costs comprise interest expense on financial liabilities measured at amortised cost.

Borrowing costs, directly attributable to purchase, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur using the effective interest method. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(c) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the entities of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising in translation are recognised in profit or loss.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(d) Employee benefits

The Company makes contributions for the benefit of employees to the State Fiscal Authorities of Ukraine that are responsible for administration of such benefits.

Those amounts comprise defined contribution plans and are recognised as an employee benefit expense in profit or loss, when they are due. The Company has no further payment obligations once the contributions have been paid. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The Company has no other liabilities in respect of pensions or employee retirement benefits.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided

In addition, a liability is recognised for the amount expected to be paid under cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(e) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they

can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plan of the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(g) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment, except for land are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is measured of cost less any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

When items of property, plant and equipment that were previously held for rentals to others are routinely sold in the normal course of the Company’s business, then such items are transferred to inventory when they cease to be rented and become held for sale. The items are transferred at their carrying amount at the date of transfer. Proceeds from sale of such assets are recognised as revenues.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its estimated residual value.

Depreciation is generally recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of significant Company's of property, plant and equipment for the current and comparative periods are as follows:

- buildings 20-50 years;
- machinery and equipment 2-5 years;
- vehicles 3-5 years;
- tools and other 1-5 years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(h) Investment property

Investment properties are those that are held either to earn rental income or for capital appreciation or for both, and are carried at fair value. Investment properties principally comprise properties leased to other companies and private entrepreneurs.

Investment properties are measured initially at cost, including related costs. Investment properties are derecognised on disposal or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. The gain or loss on disposal is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised as gain or loss in profit or loss.

Subsequent to initial recognition investment properties are stated at fair value. Any gain or loss arising from changes in fair value is included in profit or loss in the period in which it arises.

(i) Financial instruments

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Non-derivative financial assets and financial liabilities – recognition and derecognition

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Company’s financial assets comprise trade and other receivables and cash and cash equivalents and are classified as measured at amortised cost category. These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Cash and cash equivalents comprise cash balances, call deposits and highly liquid investments with maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The Company measures all of its financial liabilities at amortised cost.

(ii) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(j) Impairment

(i) Non-derivative financial assets

The Company recognises loss allowances for expected credit losses (“ECLs”) on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for current trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company’s historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due (if not rebutted).

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is “credit-impaired” when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

(ii) *Non-financial assets*

The carrying amounts of the Company’s non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”).

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill

allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(l) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

The Company provides product warranties on all new machinery sales. Provisions are generally recognised when machinery are sold. Based on historical warranty claim experience, assumptions have to be made on the type and extent of future warranty claims and customer goodwill (representing the Company’s constructive obligation to its customers when managing those warranty claims), as well as on possible recall campaigns.

These assessments are based on experience of the frequency and extent of machinery faults and defects in the past. In addition, the estimates also include assumptions on the amounts of potential repair costs per machinery and the effects of possible time or hours age limits. The provisions are regularly adjusted to reflect new information.

The Company also has back-to-back contractual arrangements with its suppliers in the event that a machinery fault is proven to be a supplier’s fault. Estimates are made of the expected reimbursement claims based upon historical levels of recoveries by supplier, adjusted for inflation and applied to the population of machinery under warranty at the balance sheet date. Supplier reimbursement claims are presented as separate assets within “Warranty reimbursement receivables” (Note 8).

(m) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial

direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company’s estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in ‘lease assets’ and lease liabilities in ‘lease liabilities’ in the statement of financial position.

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies IFRS 15 to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease (see Note 6). The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of ‘other income’.

Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from IFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

25. New standards and interpretations not yet adopted

Certain standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

(a) Other standards and interpretations

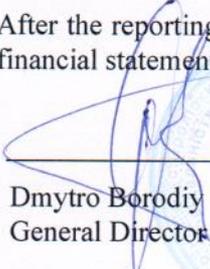
The following new standards and interpretations are not expected to have a significant impact on the Company’s financial statements:

- Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- COVID-19-Related Rent Concessions (Amendment to IFRS 16)
- Annual Improvements to IFRS Standards 2018-2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to Conceptual Framework (Amendments to IFRS 3)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimate (Amendments to IAS 8)
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes

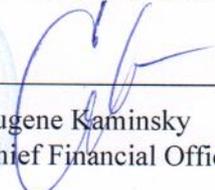
— Lease Liability in a Sale and Leaseback (Amendments to IFRS 16).

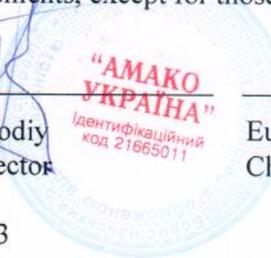
26. Subsequent events

After the reporting date, there were no events that would require adjustments or disclosures in the financial statements, except for those described in Note 1(b) of these financial statements.


Dmytro Borodiy
General Director

31 May 2023


Eugene Kaminsky
Chief Financial Officer


“АМАКО
УКРАЇНА”
Ідентифікаційний
код 21665011

Management report

Management of Amaco Ukraine LLC (hereinafter “the Company”) hereby presents the Management Report together with the Company’s financial statements for the year ended 31 December 2021.

ORGANISATION AND OPERATIONS OVERVIEW

The Company was founded in Ukraine on 28th of December 1999 as Limited Liability Company.

The principal activities of the Company are the sale of agricultural machines and commercial vehicles, after sales services, parts dealer within the territory of Ukraine.

The Company’s supreme governing body in accordance with the Charter is the General Meeting of Participants. The Company’s executive body is the General Director.

The Company consists of the following structural divisions: Parts Division, Services Division, Machinery Division, with 16th Representative office throw-out Ukraine. There were no changes in the organisational structure of the Company during 2021.

RESULTS OF OPERATIONS

The Company's financial results for the year ended 31 December 2021 are set out on page 9 of the financial statements. Net profit for 2021 amounted to UAH 126,815 thousand (2020: net loss of UAH 52,086 thousand).

Despite the global pandemic situation and lockdowns in 2021 the Company showed positive operating results in amount of UAH 110,899 thousand (2020: UAH 59,738 thousand) and the growth in sales comprised 54% compared to 2020.

LIQUIDITY AND OBLIGATIONS

Liquidity risk is the risk that the Company will be unable to meet the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company’s reputation.

The Company aims to maintain the level of cash and cash equivalents and other highly marketable instruments at an amount in excess of expected cash outflows on financial liabilities over the next 365 days. The Company also monitors the level of expected cash inflows from settlement of trade and other receivables and expected outflows in relation to settlement of trade and other payables.

In addition, the Company has the following lines of credit:

As at 31 December 2021, the Company had undrawn UAH 64,922 thousand (equivalent of USD 2,380 thousand) of credit line facility, which matures in July 2022 (31 December 2020: USD 2,380 thousand).

The analysis of remaining maturities of the Company’s financial liabilities as at 31 December 2021 is presented in Notes 12 and 23 to the financial statements.

ENVIRONMENTAL ASPECTS

During the year ended 31 December 2021, the Company consumed 522,418 kWh of electricity (2020: 537,564 kWh) and 2,677 litres of water (2020: 2,875 litres) and 332.6 K liters of fuel (2020: 517.5 K liters).

During the reporting period, the Company took the following energy saving and water consumption reduction actions encouraging the employees to turn off/unplug unused equipment and devices.

The Company encourages environment protection measures among its people: document printing only when necessary, turning off lights and equipment at night.

SOCIAL ASPECTS AND HUMAN RESOURCES MANAGEMENT

The total number of the Company’s employees is 246 persons as at 31 December 2021 (31 December 2020: 236 persons). The share of female employees is 16% as at 31 December 2021 (31 December 2020: 17%). The Company initiates various projects to promote equal opportunity practices, supporting gender equality in the process of employment and management decision taking.

The Company maintains comprehensive safety policies and procedures.

The Company supports development of its people by offering professional trainings.

The Company ensures respect for human rights and prevention of corruption and bribery through adherence to the effective legislation of Ukraine.

MAIN RISKS AND UNCERTAINTIES

(a) Business environment

On 24 February 2022, Russian troops commenced military activities in multiple locations of Ukraine. These ongoing activities have led to casualties, significant dislocation of the population, damage to infrastructure, introduction of certain administrative restrictions on currency conversion transactions and payments abroad by the National Bank of Ukraine and overall significant disruption to economic activity in Ukraine. This has also had a detrimental impact on the political and business environment in Ukraine, including on the ability of many entities to continue business as usual.

In current circumstances, the Company continues its operating activities. For more information, see Note 1(b) to the financial statements.

(b) Risks associated with financial instruments

The Company is exposed to credit risk, liquidity risk and market risk in relation to the financial instruments it holds. The main risks and uncertainties faced by the Company and the steps taken to manage these risks, are described in Note 23 to the financial statements.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company’s financial assets at the reporting date. The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables.

Credit risk related to trade receivables is managed based on established policies, procedures and controls relating to customer credit risk management.

Liquidity risk

See above.

(c) Operating risks

The Company is exposed to the following major operational risks:

- High customers demand with production deficit
- Supply chain process is main challenge for the company (order forecast, follow up, completion in time) and looks carefully in adhering this subject.

RESEARCH AND DEVELOPMENT ACTIVITIES

As at 31 December 2021, there were no research and development activities.

FINANCIAL INVESTMENTS

As at 31 December 2021, there were no financial investments by the Company.

PROSPECTS FOR DEVELOPMENT

Given all risks and challenges arising in the course of the business, it is expected that the Company will have sustainable development and growth of its business potential. Management of the Company has the following priorities, such as

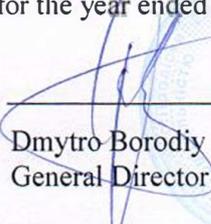
- Positive net margin, amount is set by the Board of Directors of the Parent
- Sufficient positive net cash flow
- Strategical business continuity
- Strengthening Alkhorayef Group and product awareness, including cooperation with Ukrainian State Programmes

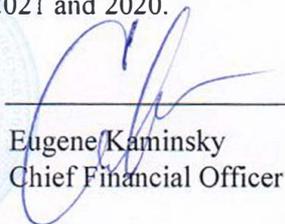
Refer to Note 1(b) to the financial statements regarding the impact of current circumstances on the Company.

The events subsequent to the reporting date are described in Note 26 to the financial statements.

INFORMATION ABOUT SERVICES PROVIDED BY THE AUDITOR OF THE COMPANY

Information about services provided by Private Joint-Stock Company “KPMG Audit” to the Company during the year ended 31 December 2021 is as follows: audit of the financial statements as at and for the year ended 31 December 2021 and 2020.


Dmytro Borodiy
General Director


Eugene Kaminsky
Chief Financial Officer

31 May 2023

**“АМАКО
УКРАЇНА”**
Ідентифікаційний
код 21665011