



# International Financial Reporting Standards Financial Statements and Independent Auditor's Report

for the year ended December 31, 2021





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# STATEMENT OF MANAGEMENT RESPONSIBILITY

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Management is responsible for the preparation of the stand-alone financial statements (hereinafter - the “financial statements”), which present fairly the financial position of “Medical Center M.T.K.”, Limited Liability Company (hereinafter - the “Company”) for the year ended December 31, 2021, as well as results of its operations, cash flows and changes in equity for the year than ended in accordance with International Financial Reporting Standards (IFRS).

In preparing the financial statements, the Management is responsible for:

- selecting appropriate accounting policies and their consistent application;
- presenting information, including accounting policies, in a manner that ensures its feasibility, reliability, comparability and understandability;
- providing additional disclosures, when compliance with IFRS is insufficient for the user to understand the impact of specific transactions, other events and conditions on the financial position and financial performance of the Company; and
- evaluating the Company’s ability to continue its operations as a going concern.

Management is also responsible for:

- development, implementation and control over effective and reliable internal control system in the Company’s departments;
- maintenance of proper accounting records, which allow at any time to demonstrate and explain the Company’s transactions, disclose with reasonable accuracy its financial position, and ensure that the Company’s financial statements comply with IFRS requirements;
- maintenance of accounting records in accordance with the legislation and International Financial Reporting Standards (IFRS);
- taking all reasonable measures to safeguard the assets of the Company; and
- detection and prevention of fraud and other irregularities.

These financial statements of the Company for the year ended December 31, 2021 were authorized by Management on May 04, 2022:

On behalf of the Company:

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D.I. Derkach  
Chief Executive Officer

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O.A. Moiseienko  
Chief Accountant

# INDEPENDENT AUDITOR'S REPORT

To the Management of "Medical Center M.T.K.", Limited Liability Company

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## REPORT ON THE AUDIT OF THE STAND-ALONE FINANCIAL STATEMENTS

### Opinion

We have audited the stand-alone financial statements of "Medical Center M.T.K.", Limited Liability Company (hereinafter - the "Company"), which comprise the Statement of financial position as at December 31, 2021, and the Statement of profit or loss and other comprehensive income, Statement of changes in equity and Statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of "Medical Center M.T.K.", LLC as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and requirements of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" regarding the preparation of the financial statements.

### Basis for Opinion

We conducted our audit in accordance with the Law of Ukraine "On Audit of Financial Statements and Auditing" and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (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.

### Emphasis of Matter

We draw attention to Note 1 to the financial statements, which describes the reason why the Company does not prepare the consolidated financial statements in accordance with the requirements of IFRS 10 "Consolidated Financial Statements". Our opinion has not been modified in respect of this matter.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matter described below to be the key audit matter that should be communicated in our report.

### **Valuation of receivables**

As noted in Note 22, the Company applies IFRS 9 for valuation of receivables and determines expected credit losses, as well as assesses the debts. A significant amount of receivables and the necessity to use judgments and reliable data in determining the provision for expected credit losses have a significant impact on the determination of the financial result of the current period.

We received an understanding of the Company's policies, processes and control procedures for valuation of the expected credit losses on trade receivables.

During the audit we:

- assessed the Company's methodology for calculating the expected credit losses using the provision matrix and its compliance with requirements of IFRS 9;
- reviewed the Company's trade receivables data and performed alternative restatements of the expected credit losses, which are determined on the basis of the provision matrix;
- reviewed the completeness and accuracy of the relevant disclosures in the financial statements.

We have completed our audit procedures and believe that disclosure of this matter in the financial statements is appropriate.

### **Other Information**

The Company's management is responsible for submitting, in conjunction with the financial statements, other information in the form of the Management Report in accordance with the requirements of the Law of Ukraine "On Accounting and Financial Reporting".

Our opinion on the financial statements does not cover such other information and we do not make any conclusion with any confidence level about this other information.

In connection with our audit of the financial statements, it is our responsibility to review other information while considering whether there is a material inconsistency between other information and financial statements or our knowledge obtained during the audit, or whether this information appears to be such that contains significant misstatement. If, on the basis of our work in respect to other information received before the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are obliged to report this fact.

We didn't identify any such facts that should have been included in our report in connection with the presentation of information in the Management Report for 2021.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and 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.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate,

they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the planning and performance of the audit. We also:

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

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

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

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 auditor's 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 of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

Legal and regulatory acts of Ukraine set additional requirements for information related to the audit or review of the financial statements, and must be obligatory included in the auditor's report on the results of the statutory audit. Responsibility for such reporting is additional to that of the auditor established by ISA requirements.

### **Basic Information About the Auditor and Audit Engagement Performance Circumstances**

In accordance with the requirements of Article 14 of the Law of Ukraine "On Audit of Financial Statements and Auditing", we provide basic information about the audit entity that conducted the audit and circumstances of the performance of this audit engagement:

## Basic Information About the Audit Entity

Name of the Company	«Crowe Erfolg Ukraine», Limited Liability Company
Identification code of a legal entity	36694398
Address	8, Redutna Str., Kyiv, 01015, Ukraine
Information about inclusion in the Register	The registration number in the Register of Auditors and Audit Entities No. 4316
Website	www.crowe.com/ua/croweaa

## The Appointment of the Auditor and Total Duration of the Auditor's Engagement

The decision on appointment us as an auditor of the financial statements of the Company was made on December 10, 2021 by CEO of "Medical Center M.T.K.", LLC.

The total duration of the audit of the Company's financial statements without interruption, considering prolongation of the engagement, that occurred, and re-appointments is 3 years.

The audit was conducted on the basis of the agreement № 10/12/21-3 dated 10.12.2021. Services were provided in the period from 10.12.2021 to 04.05.2022.

## Confirmation and Assurance Regarding the Performance of the Audit Engagement

We confirm that this independent auditor's report is consistent with the Additional report for the management of the Company that we provide as a result of our audit.

We did not provide services to the Company that are prohibited by legislation.

We did not provide the Company or its controlled entities with any other services than statutory audit services.

"Crowe Erfolg Ukraine", Limited Liability Company, its owners, officers, key audit partner and other employees are independent of the Company, did not participate in the preparation and management decisions of the Company during the period covered by the audited financial statements and in the period of audit services provision for such financial statements.

Key audit partner on the audit resulting in this independent auditor's report is Artem Vorobiienko.

On behalf of "Crowe Erfolg Ukraine", LLC

Director\_\_\_\_\_ Olha Bohdanova  
(registration number in the Register of Auditors and Audit Entities: 101724)

Key Audit Partner \_\_\_\_\_Artem Vorobiienko  
(registration number in the Register of auditors and audit entities: 100265).

Kyiv, Ukraine  
May 04, 2022



# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended December 31, 2021

(in UAH thousand, unless otherwise stated)

		2020	
	Notes	2021	(restated, Note 5)
Revenue	6	3 964 297	3 088 548
Cost of sales	7	(3 163 433)	(2 390 917)
<b>Gross profit</b>		<b>800 864</b>	<b>697 631</b>
Profit/(loss) from operating exchange rate differences		888	(1 237)
Selling and distribution expenses	9	(298 889)	(257 960)
Administrative expenses	10	(70 117)	(54 736)
Other operating expenses	11	(119 238)	(27 245)
Other operating income	8	7 360	10 931
<b>Operating profit</b>		<b>320 868</b>	<b>367 384</b>
Finance income	12	43 857	52 243
Finance costs	13	(6 164)	(5 156)
<b>Profit before tax</b>		<b>358 561</b>	<b>414 471</b>
Income tax expense	14	(56 785)	(64 955)
<b>Profit for the year</b>		<b>301 776</b>	<b>349 516</b>
<b>Total comprehensive income for the reporting year, net of tax</b>		<b>301 776</b>	<b>349 516</b>

On behalf of the Company:

\_\_\_\_\_  
D.I. Derkach  
Chief Executive Officer

\_\_\_\_\_  
O.A. Moiseienko  
Chief Accountant

The accompanying notes on pages 13-42 are an integral part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

as at December 31, 2021

(in UAH thousand, unless otherwise stated)

	Notes	December 31, 2021	December 31, 2020 (restated, Note 5)	December 31, 2019 (restated, Note 5)
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	15	91 029	100 544	95 909
Prepayments made for property, plant and equipment	16	1 666	693	2 673
Right-of-use assets		45 998	30 222	23 156
Capital investments in progress	17	575	331	19 132
Intangible assets	18	1 577	369	399
Investments in subsidiaries	19	27 342	27 342	3 038
Deferred tax assets	20	4 544	3 473	23 222
<b>Total non-current assets</b>		<b>172 731</b>	<b>162 974</b>	<b>167 529</b>
<b>Current assets</b>				
Inventories	21	404 906	67 622	184 600
Trade and other receivables	22	442 903	494 954	391 861
Prepayments made	23	83 222	16 432	49 944
Cash and cash equivalents	25	129 046	204 636	70 793
Other current assets		1 590	3 213	183
<b>Total current assets</b>		<b>1 061 667</b>	<b>786 857</b>	<b>697 381</b>
<b>Total assets</b>		<b>1 234 398</b>	<b>949 831</b>	<b>864 910</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital	26	1 548	1 548	1 548
Other additional paid-in capital	26	30 000	30 000	30 000
Retained earnings (accumulated loss)		977 510	748 900	479 105
<b>Total equity</b>		<b>1 009 058</b>	<b>780 448</b>	<b>510 653</b>
<b>Non-current liabilities and provisions</b>				
Financial lease liabilities	16	28 775	22 296	21 568
<b>Total non-current liabilities</b>		<b>28 775</b>	<b>22 296</b>	<b>21 568</b>
<b>Current liabilities and provisions</b>				
Trade and other payables	27	127 273	103 437	307 434
Current portion of financial lease liabilities	16	14 844	7 585	5 194
Income tax payable		21 100	9 962	9 491
Reserves and provisions	28	33 348	26 103	10 570
<b>Total current liabilities</b>		<b>196 565</b>	<b>147 087</b>	<b>332 689</b>
<b>Total liabilities</b>		<b>225 340</b>	<b>169 383</b>	<b>354 257</b>
<b>Total equity and liabilities</b>		<b>1 234 398</b>	<b>949 831</b>	<b>864 910</b>

On behalf of the Company:

\_\_\_\_\_  
D.I. Derkach  
Chief Executive Officer

\_\_\_\_\_  
O.A. Moiseienko  
Chief Accountant

The accompanying notes on pages 13-42 are an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

for the year ended December 31, 2021

(in UAH thousand, unless otherwise stated)

	Share capital	Other additional paid-in capital	Retained earnings (accumulated loss)	Total equity
<b>As at December 31, 2019</b>	<b>1 548</b>	<b>30 000</b>	<b>482 477</b>	<b>514 025</b>
Changes in the accounting policies (Note 5)	-	-	(3 372)	(3 372)
<b>Adjusted balance as at December 31, 2019</b>	<b>1 548</b>	<b>30 000</b>	<b>479 105</b>	<b>510 653</b>
Profit for the year	-	-	349 516	349 516
Dividends	-	-	(79 190)	(79 190)
Changes in the accounting policies (Note 5)	-	-	281	281
Other changes	-	-	(812)	(812)
<b>Adjusted balance as at December 31, 2020</b>	<b>1 548</b>	<b>30 000</b>	<b>748 900</b>	<b>780 448</b>
Profit for the year	-	-	301 776	301 776
Dividends	-	-	(73 120)	(73 120)
Other changes	-	-	(46)	(46)
<b>As at December 31, 2021</b>	<b>1 548</b>	<b>30 000</b>	<b>977 510</b>	<b>1 009 058</b>

On behalf of the Company:

\_\_\_\_\_  
D.I. Derkach  
Chief Executive Officer

\_\_\_\_\_  
O.A. Moiseienko  
Chief Accountant

The accompanying notes on pages 13-42 are an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

for the year ended December 31, 2021

(in UAH thousand, unless otherwise stated)

	Notes	December 31, 2021	December 31, 2020
<b>Cash flows from operating activities</b>			
<b>Proceeds from:</b>			
Sale of products (goods, works, services)		4 174 330	3 194 460
Financial assistance repaid		45 200	7 830
Proceeds from interest on cash balances on current accounts		4 722	2 317
Social security fund		2 184	1 413
Lease		1 214	820
Returns from suppliers		717	2 747
Other proceeds		7 222	7 436
		<b>4 235 589</b>	<b>3 217 023</b>
<b>Expenses for:</b>			
Goods (works, services)		(3 849 102)	(2 672 082)
Payroll		(143 111)	(110 454)
VAT liabilities		(59 089)	(49 815)
Prepayments		(56 149)	(32 510)
Income tax liabilities		(46 718)	(44 569)
Other tax and fees liabilities		(38 474)	(33 403)
Deductions for social security funds		(34 968)	(27 483)
Financial assistance provided		(2 000)	(43 300)
Returns to customers		(1 821)	(5 068)
Other expenses		(15 859)	(12 937)
		<b>(4 247 291)</b>	<b>(3 031 621)</b>
<b>Net cash flows from operating activities</b>		<b>(11 702)</b>	<b>185 402</b>
<b>Cash flows from investing activities</b>			
<b>Proceeds from:</b>			
Dividends received		44 712	55 879
Other proceeds from investing activities		285	374
		<b>44 997</b>	<b>56 253</b>
<b>Expenses for:</b>			
Acquisition of on-current assets		(16 696)	(7 127)
		(16 696)	(7 127)
<b>Net cash flows from investing activities</b>		<b>28 301</b>	<b>49 126</b>
<b>Cash flows from financing activities</b>			
<b>Proceeds from:</b>			
Other proceeds		-	-
		-	-
<b>Expenses for:</b>			
Dividends payment		(73 297)	(89 107)
Payment of financial lease liabilities		(18 776)	(11 373)
		<b>(92 073)</b>	<b>(100 480)</b>
<b>Net cash flows from financing activities</b>		<b>(92 073)</b>	<b>(100 480)</b>
<b>Other types of activity</b>			
Impact of exchange rate changes on cash balance		(116)	(205)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(75 474)</b>	<b>134 048</b>
Cash and cash equivalents at the beginning of the period	25	<b>204 636</b>	<b>70 793</b>
Cash and cash equivalents at the end of the period	25	<b>129 046</b>	<b>204 636</b>

On behalf of the Company:

\_\_\_\_\_  
D.I. Derkach  
Chief Executive Officer

\_\_\_\_\_  
O.A. Moiseienko  
Chief Accountant

The accompanying notes on pages 13-42 are an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

(in UAH thousand, unless otherwise stated)

## 1. GENERAL INFORMATION

“Medical Center M.T.K.”, Limited Liability Company (hereinafter – the “Company”) was incorporated in 1994. The main types of the Company’s activity are wholesale and retail trade of pharmaceutical products and medical devices.

The Company’s target functions in the selling and distribution activity are the following:

- building of the organizational structure of distribution channels and networks;
- transportation of products, return of illiquid assets, returnable packaging and wastes;
- inventory management, consolidation and distribution of goods;
- support for product quality standards and logistics service;
- location of distribution centers (bases, warehouses) and other parts of the supply chain;
- warehousing, storage of products;
- ensuring the safety and protection of goods, risks insurance;
- monitoring and information support of suppliers, etc.

“Medical Center M.T.K.”, LLC owns a wide network of regional warehouses with an area of 10 856 m<sup>2</sup>.

Legal address of the Company is: 10, M. Amosova Str., Kyiv, 03038, Ukraine.

Actual address: 19, Svyatoslava Khorobroho (Narodnoho Opolchennya) Str., Kyiv, Ukraine.

The average number of employees of the Company in 2021 was 558 employees (in 2020: 352 employees).

As at December 31, 2021 and December 31, 2020, information on shareholders is presented as follows:

Shareholder	Amount (UAH)	Ownership in total shares (%)
EMTEKO Holding, Latvia	1 084	70
Myronchuk V.V.	232	15
Marchenko N.V.	232	15
<b>Total:</b>	<b>1 548</b>	<b>100</b>

The parent company of EMTEKO Holding, Latvia is EMTEKO LIMITED, Cyprus (registration number HE 386537), which owns 100% of the share capital and is an actual controlling party.

As at December 31, 2021, “Medical Center M.T.K.”, LLC will not prepare consolidated financial statements. The consolidated financial statements will be prepared and issued by the parent company EMTEKO LIMITED, Cyprus, which exercises full control over “Medical Center M.T.K.”, LLC. Published consolidated financial statements are freely available at: <https://www.companies.gov.cy/en/>.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

### 2.1. Adoption of new and revised International Financial Reporting Standards

In general, accounting policies are consistent with those applied in the previous reporting year. Some new standards and interpretations have become mandatory beginning on or after 01 January 2021. New and revised standards and interpretations applied by the Company for the first time as at 01 January 2021 are presented below.

#### *Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 —Interest Rate Benchmark Reform — Phase 2*

The amendments provide temporary exemptions that are applied to address financial reporting implications in cases where the Interbank Offer Rate (IBOR) is replaced by an alternative, virtually risk-free interest rate.

The amendments relate to the following:

- changes in contractual cash flows - the entity does not need to derecognize or adjust the carrying amount of financial instruments to reflect the changes required by the reform, but instead needs to update the effective interest rate to reflect the change in the benchmark interest rate;

- hedge accounting - the entity will not have to stop hedge accounting just because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
- disclosure - the entity will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

These amendments did not affect the Company's financial statements.

#### *Amendments to IFRS 16 – Covid-19-Related Rent Concessions beyond June 30, 2021*

On May 2020, the IASB issued the Amendment to **IFRS 16 Leases - Covid-19 - Related Rent Concessions**. This amendment provides relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification. The amendment was intended to be applied until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient until 30 June 2022. The amendment is applied to annual reporting periods beginning on or after 01 April 2021, with early application permitted. This amendment is mandatory for those business entities that have decided to apply the previous amendment related to COVID-19 - related rent concession.

The application of this amendment did not affect the Company's financial statements.

#### **IFRS and interpretations issued but not yet effective**

The Company has not applied the following IFRS, Interpretations to IFRS and IAS, changes and amendments to them that have been issued but are not yet effective.

##### *IFRS 17 «Insurance Contracts»*

IFRS 17 is a new standard for financial statements in respect to insurance contracts that establishes the recognition and measurement, presentation and disclosure of insurance contracts. IFRS 17 will replace IFRS 4 “Insurance Contracts”, which was issued in 2005.

IFRS 17 becomes effective for reporting periods beginning on or after 01 January 2023, with comparative information being required. Early application is permitted, provided that the entity also applies IFRS 9 and IFRS 15 on the date of the first application of IFRS 17 or earlier. This Standard was not applied to the Company.

##### *Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Distribution of Assets between an Investor and its Associate or Joint Venture*

The Amendments consider the contradictions between IFRS 10 and IAS 28 in respect to accounting of the loss of control over a subsidiary that is sold to an associate or joint venture or is contributed to them. The Amendments clarify that the gain or loss arising from the sale or contribution of assets that is a business, as defined in IFRS 3, is recognized in full amount in an agreement between the investor and its associate or joint venture. However, gains or losses arising from the sale or contribution of non-business assets are recognized only to the extent of the unrelated investors' interests in associate or joint venture. The IASB postponed the effective date of these Amendments indefinitely, however, earlier application of the Amendments is permitted.

##### *Amendments to IAS 1 “Presentation of Financial Statements”*

In January 2020, the IASB issued Amendments to IAS 1 in order to clarify issues related to the classification of current and non-current liabilities. The Amendments are effective for periods beginning on or after 01 January 2023. The Amendments are applied retrospectively, early application is permitted. The Amendments may affect the classification of the liabilities in the Company's statement of financial position.

##### *Amendments to IFRS 3 “Business Combinations” – “Reference to Conceptual Framework”*

In May 2020, the IASB issued Amendments to IFRS 3, which aim is to replace the reference to the “Framework for the Preparation and Presentation of Financial Statements” issued in 1989 with the reference to the “Conceptual Framework for Financial Reporting” issued in March 2018 without making

significant changes to the requirements of the standard. These Amendments shall enter into force for annual periods beginning on or after 01 January 2022 and shall be applied prospectively.

#### *Amendments to IAS 16 – “Property, Plant and Equipment” - Proceeds before Intended Use*

In May 2020, the IASB issued Amendments to IAS 16, according to which entities are prohibited to deduct from the historical cost of an item of property, plant and equipment any proceeds from the sale of products manufactured in the process of delivering of such item to its location and bringing it into condition, which is required for its operation in the manner prescribed by management. Instead, the entity recognizes proceeds from the sale of such products, as well as the cost of production of those products, in profit or loss. These Amendments shall enter into force for annual periods beginning on or after 01 January 2022 and shall be applied retrospectively. It is expected that these Amendments will not have a material impact on the Company’s financial statements.

#### *Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” - “Onerous Contracts – Cost of Fulfilling a Contract”*

In May 2020, the IASB issued Amendments to IAS 37, which clarify which costs an entity should consider when assessing whether a contract is onerous or unprofitable. These Amendments provide an application of an approach based on “costs directly related to the contract”. Costs directly related to the contract for the provision of goods or services include both additional costs for the performance of this contract and distributed costs directly related to the performance of the contract. General and administrative expenses are not directly related to the contract and are therefore excluded, except when they are clearly reimbursable by the contractor under the contract. These Amendments shall enter into force for annual periods beginning on or after 01 January 2022. It is expected that these Amendments will not have a material impact on the Company’s financial statements.

#### *Amendments to IAS 8 - Definition of Accounting Estimates*

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 01 January 2023 and are applied to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of the abovementioned period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company’s financial statements.

#### *Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies*

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, which provide guidance and examples, which assist entities in applying materiality judgements to accounting policy disclosures. The amendments aim to assist entities in providing accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities should apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after 01 January 2023 with earlier application permitted. It is expected that these amendments will not have a significant impact on the Company’s financial statements.

#### *Amendments to IAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*

The amendments clarify that the exemption from the initial recognition is not applied to transactions where equal amounts of deductible and taxable temporary differences arise during initial recognition (for example, leases, decommissioning obligations). The amendments are applicable for annual periods beginning on or after 01 January 2023 with earlier application permitted. It is expected that these amendments will not have a significant impact on the Company’s financial statements.

### **“Annual Improvements to IFRS” (cycle for 2018 – 2020 years)**

#### *Amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards” - Subsidiary that applies International Financial Reporting Standards for the first time*

Under these Amendments, a subsidiary that chooses to apply paragraph D16 (a) of IFRS 1 has the

right to measure accumulated exchange differences using the amounts recognized in the financial statements of the parent company based on the date of transition of the parent company to IFRS. These Amendments may also be applied by associates and joint ventures that decide to apply paragraph D16 (a) of IFRS 1. These Amendments are effective for annual periods beginning on or after 01 January 2022. Application is allowed until this date. These Amendments will not have an impact on the Company's financial statements.

#### *Amendments to IFRS 9 "Financial Instruments" - Fees in the "10 per cent" test for derecognition of financial liabilities*

These Amendments clarify which amounts of commission fees the entity considers when assessing whether the terms of a new or modified financial liability differ materially from the terms of the original financial liability. Such amounts include only those commission fees that have been paid or received between a particular creditor and the borrower and commission fees paid or received by the creditor or borrower on behalf of another party. An entity shall apply these Amendments in respect to financial liabilities that have been modified or replaced at the date of commencement (or after) of the annual reporting period in which the entity first applied these Amendments. These Amendments shall enter into force for annual periods beginning on or after 01 January 2022. Application is allowed until this date. It is expected that these Amendments will not have a material impact on the Company's financial statements.

#### *Amendments to IAS 41 "Agriculture" - Taxation in Fair Value Measurements*

These Amendments eliminate the requirement in paragraph 22 of IAS 41 that entities do not include tax-related cash flows in measuring the fair value of assets within the scope of IAS 41. An entity shall apply these Amendments prospectively to the fair value measurement at the date of commencement (or after) of the first annual reporting period beginning on or after 01 January 2022. Application is allowed until this date. These Amendments will not have an impact on the Company's financial statements.

## **2.2. Going concern**

The Company's net profit for the year ended December 31, 2021 amounted to UAH 301 776 thousand (for the year ended December 31, 2020 (restated): UAH 349 516 thousand).

The potential impact of possible negative changes in the exchange rate of the Ukrainian hryvnia against the US dollar is presented in Note 30.

Despite the abovementioned circumstances, during the year ended December 31, 2021 and December 31, 2020, the Company generates sufficient cash to cover current liabilities, as well as to partially repayment of its non-current financial liabilities.

In the Management opinion, in the case when the Company will not be able to repay its non-current financial liabilities or other liabilities in the future, the founder of the Company will be able to provide appropriate financial assistance for timely fulfillment of obligations by restructuring of the debt or provide additional financial resources.

According to the resolution of the Cabinet of Ministers of Ukraine № 211 dated 11.03.2020 "On prevention of the spread of COVID-19 acute respiratory disease caused by the SARS-CoV-2 coronavirus in Ukraine", the Company's activity is not prohibited. The Company's management has taken measures to provide employees with personal protective equipment, compliance with sanitary norms to prevent the spread of the virus. Employees whose nature of work allows, were transferred to remote work. The operational headquarter, established in the Company, takes measures to reduce operating costs without compromising the production process.

As at 24<sup>th</sup> February 2022, the Russian Federation has begun the military aggression against Ukraine, which became a basis for the imposition of a martial law and has led to difficulties in conducting of the Company's operating activity. However, the Company continues to operate and fulfill its obligations to its counterparties.

Management believes that has all factors for provision of the going concern in the future. The going concern basis is appropriate for the preparation of these financial statements in the absence of other significant uncertainties that are beyond the Company'd control and could make doubtful the possibility of the Company to continue as a going concern.



### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Property, plant and equipment

Buildings, structures and other property, plant and equipment are recognized in the financial statements at deemed cost less accumulated depreciation and accumulated impairment losses.

The historical cost of property, plant and equipment is increased by the amount of expenses related to the improvement of an item resulting in increased future economic benefits originally expected from the item.

Depreciation is calculated using the straight-line method. Average depreciation periods, representing the expected useful lives of property, plant and equipment, are as follows:

Buildings	15-20 years
Machinery and equipment	5-10 years
Vehicles	5 years
Other property, plant and equipment	2-5 years

Construction in progress and uninstalled equipment are not depreciated.

The useful life and depreciation method are analyzed at the end of each financial year. The effect of any changes arising from estimates made in prior periods is recognized as a change in the accounting estimate.

Capitalized costs include principal expenses for modernization and replacement of parts of assets, which prolong their useful lives or improve their ability to generate income. Cost of repairs and maintenance of property, plant and equipment that do not meet the abovementioned criteria for capitalization are recognized in the Statement of profit or loss and other comprehensive income in the period in which they were incurred.

Gain or loss arising on the disposal or liquidation of an item of property, plant and equipment is determined as the difference between the proceeds from the sale and the carrying amount of the asset and is recognized in profit or loss.

Construction in progress includes costs directly attributable to the construction of property, plant and equipment, including an appropriate allocation of directly applicable variable overheads associated with the construction. Construction in progress is not depreciated. Depreciation of construction in progress, similar to other property, plant and equipment, begins when these assets are ready for use.

In the case of direct borrowing in order to create a qualifying asset, the amount of finance costs, which should be included in the cost of the qualifying asset, are the actual finance costs recognized in the reporting period, which are associated with this borrowing (less income from temporary financial investment of the borrowed funds).

#### Impairment of property, plant and equipment

The Company reviews the carrying amount of assets of property, plant and equipment at each reporting date in order to determine whether there are any indicators that those assets have suffered an impairment loss. If any such indication exists, the expected recoverable amount of an asset is estimated to determine the amount of impairment losses, if any. If a recoverable amount of an asset is impossible to estimate, the Company estimates the recoverable amount of a cash-generating unit and to which the asset belongs.

The recoverable amount is the higher of the fair value less selling and distribution expenses and value of an asset in use. In assessing the value of an asset in use, the estimated future cash flows associated with the asset, are discounted to their present value using pre-tax discount rate that reflects current market estimates of time value of money and the risks inherent in the asset in respect of which estimates of future cash flows have not been adjusted.

If, according to the estimates, the recoverable amount of an asset (cash generating unit) is less than carrying amount, the carrying amount of an asset (cash generating unit) is reduced to the recoverable amount. An impairment loss is recognized immediately in the Statement of profit or loss and other comprehensive income.

In cases where impairment losses are subsequently reversed, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of recovery amount, however, in such a way that the increased carrying amount does not exceed the carrying amount that would be determined, if an impairment loss was not recognized in respect of an asset (cash generating unit) in previous years.

## **Intangible assets**

The Company accounts intangible assets in accordance with the requirements of IAS 38 “Intangible Assets”.

Intangible assets are initially measured at cost.

The cost of an intangible asset is the amount of cash or cash equivalents paid by the Company or the fair value of any other consideration given to receive the asset at the time of acquisition.

The cost of a separately acquired intangible asset consists of:

- purchase price;
- costs that are directly attributable to bringing an intangible asset to a condition necessary for use in a manner, for example:
  - expenses for payments to employees that arise directly from bringing the asset to working condition,
  - fees to specialists paid directly as a result of bringing the asset to working condition;
  - expenses for verifying the proper functioning of the intangible asset.
- other expenses, business trips, intermediary services, costs of concluding a contract that are directly related to the acquisition of the relevant intangible asset and are necessary (such that can't be avoided) in the acquisition of intangible assets.

After initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses.

Intangible assets are amortized over their useful lives using the straight-line method and are tested for impairment if there is any indication that the intangible asset may be impaired. Terms and method of amortization of intangible assets are analyzed at least at the end of each year. Changes in the expected useful life or the expected nature of the future economic benefits embodied in an asset are accounted for as changes in accounting estimates.

The average amortization terms, which are the estimated useful lives of assets, are as follows:

- Patents and trademarks - 5 - 20 years;
- Software - 1 - 10 years;
- Rights to industrial property - 1 - 5 years;
- Other intangible assets - 1 - 5 years.

Amortization of intangible assets is recognized in the Statement of profit or loss and other comprehensive income in expenses, in accordance with the functional purpose of the intangible asset.

## **Inventories**

Inventories are recognized at the lower of the cost and net realizable value. The net realizable value is the estimated selling price in the ordinary course of business activity, less the estimated costs necessary to prepare and sell the asset.

The cost of inventories includes the costs of acquiring the inventories, their processing and delivering them to their current location and bringing them into appropriate condition. Financing costs are not taken into account when estimating inventories.

In 2021, the Company changed the method of valuation of the inventories disposal - from the weighted average cost of a shipment of inventories to the FIFO method.

The FIFO method is based on the assumption that the oldest (first) inventories are used first and, accordingly, inventories that are first put into production (sale and other disposal) are valued at the cost of the oldest (first) inventories.

The Company's business processes are arranged in such a way that this approach will provide more accurate valuation of the movement and balances of the Company's inventories at the balance sheet date.

The Company periodically assesses inventories for damage, obsolescence, slow turnover and reduced net realizable value. If such events occur, the amount by which the cost of inventories decreases is recognized in the Statement of profit or loss and other comprehensive income in other operating expenses.

In the accounting, the Company reflects the adjustment to the carrying amount of inventories to net realizable value by:

- recognition of the amount of the impairment as expense in the period, in which the adjustment occurs, or

— recognition of a provision for impairment of inventories.

The Company accrues a provision for impairment of inventories at the expense of the cost of goods sold.

The Company adjusts the carrying amount of inventories to net realizable value based on:

- individual valuation: during the year-end stocktaking (or at the reporting date), the stocktaking commission assesses the condition of inventories and, when external signs of impairment are identified, determines the percentage or amount of impairment of a particular inventory item or homogeneous group of inventories. Such amount of impairment is reflected directly in the expenses of the period. In respect of inventories that the Company expects to sell, individual valuation is performed by discounting to net realizable value, if it is less than the cost of inventories, reflecting the discount directly in costs;
- based on the analysis of the useful life of finished goods and raw materials.
- inventory turnover analysis: the Company accrues a provision for impairment of inventories that are recognized as slow-moving, in the amount of 100% of their carrying amount. The analysis is carried out in terms of nomenclature groups. Nomenclature groups, discounted in the framework of individual assessment or by expiration date are not taken into account in this analysis.

The Company determines inventories as slow-moving, for which the following conditions are simultaneously met:

- Inventories of a separate nomenclature group are available at the beginning and end of the reporting period;
- The balance at the end of the period is more than 80% of the balance at the beginning of the period;
- Slow-moving indicator <0.5.

Slow-moving indicator = Disposal of inventories for the period / Average balance of inventories for the reporting period.

Average balance of inventories for the reporting period = (Initial balance of inventories at the beginning of the reporting period + Acquisition of inventories for the reporting period) / 2) - Disposal of inventories for the reporting period).

Inventories, which purpose of acquisition and normal use provides for the possibility of keeping in a warehouse for more than 12 calendar months, are not considered slow-moving. Such inventories include spare parts for property, plant and equipment, items to ensure safety in the Company and other inventories for which the normal (estimated) period of turnover is a period of more than 12 calendar months (those that can be stored in a warehouse for more than 12 months). The Company presents in the financial statements the item of inventories reduced by the amount of the accrued provision for impairment of inventories.

## **Financial assets**

The Company classifies and evaluates debt financial assets as follows:

- Debt instruments measured at amortized cost - for financial assets held under a business model, the purpose of which is to retain financial assets in order to obtain contractual cash flows that are solely a payment of the principal amount of debt and interest on the outstanding principal amount of debt. The Company includes in this category trade receivables, cash in bank accounts, deposits, as well as borrowings provided by the Company.
- Debt instruments measured at fair value through other comprehensive income, profit or loss from changes in the fair value of such instruments are reclassified to net profit or loss upon derecognition. Financial assets, that the Company includes in this category, are debt instruments that have quotations and cash flows for which there are solely payments on the principal amount of debt and interest on the outstanding principal amount of debt, but which are held under the business model, the purpose of which is achieved both by receiving the contractual cash flows and by selling them.

In 2021, the Company did not carry out transactions with such assets.

## **Accounts receivable as a financial asset**

Accounts receivable that are a financial asset are accounted by the Company in accordance with the requirements of IAS 32 “Financial Instruments: Presentation”, IFRS 7 “Financial Instruments: Disclosures” and IFRS 9 “Financial Instruments”.

The Company recognizes receivables as an asset when the Company is a party to a contractual arrangement and, as a result, acquires a legal right to receive cash (for example, a contractual obligation to sell a product).

When the Company first recognizes a receivable that is a financial asset, it is classified as at amortized cost on the basis that both of the following conditions are met:

- a financial asset is held in a business model that retains financial assets in order to obtain contractual cash flows. That is, the purpose is not to sell such an asset or to retain it for the purpose of selling at a higher price. The Company's business model for receivables is the receipt of funds or other compensation at the expense of the repayment of these receivables;
- the contractual terms of a financial asset generate cash flows on certain dates, which are solely payments of the principal amount and interest on the outstanding principal amount. That is, in respect of receivables, only the principal amount and interest are expected to be repaid, if any.

On initial recognition, financial receivables are measured at fair value plus transaction costs that may be directly attributable to the acquisition or creation of such financial asset. As an exception, under paragraph 5.1.3 of IFRS 9 "Financial Instruments", trade receivables on initial recognition are measured at transaction price.

Subsequent accounting of such receivables is carried out at amortized cost.

### **Trade receivables**

Trade receivables arise in the course of the Company's ordinary business transactions in respect of the sale of goods (finished goods) and the provision of services.

The Company's ordinary activity involve concluding of contracts with customers for the supply of goods (finished goods) and services for which the period between the time when the Company delivers the promised goods to the customer and the time when the customer pays for such goods is not more than one year. With taking this into account and clause 63 of IFRS 15 "Revenue from Contracts with Customers", the Company does not make necessary adjustment of the promised amount of compensation to the customer in order to take into account a significant component of financing. Therefore, on the initial recognition of trade receivables, the Company measures trade receivables at the transaction price.

The transaction price is the amount of compensation that the Company expects to receive in exchange for the transfer of the promised goods or services to the customer (buyer). The compensation promised in the contract with the client may include fixed amounts, variable amounts or both fixed and variable amounts.

### **Expected credit losses**

In accordance with the requirements of IFRS 9, the Company reflects the estimated provision for expected credit losses on all borrowings and other debt financial assets that are not measured at fair value through profit or loss.

At each reporting date (last day of the calendar quarter), the Company recognizes a provision for expected credit losses for trade receivables in the amount equal to the expected credit losses for the entire term of the debt.

The Company applies the simplified approach provided for in clause 5.5.15 of IFRS 9 "Financial Instruments" for estimating the provision for expected credit losses on trade receivables, depending on whether the counterparty belongs to the distribution categories, in the amount equal to the expected credit losses for the entire term of the debt.

The Company uses its own historical experience of credit losses on trade receivables in order to estimate expected credit losses over its entire term.

The Company uses the migration matrix for collective assessment of receivables.

The migration matrix is a tool for calculating the provision for expected credit losses, based on the distribution of receivables by overdue companies and statistics on the transfer of receivables between these companies during the period from the occurrence of receivables to their repayment / write-off.

The Company reflects in the financial statements the item of trade receivables reduced by the amount of the accrued provision for expected credit losses.

In order to calculate the expected credit losses, the Company distributes receivables by categories of counterparties: domestic, budgetary and foreign and by groups of arrears (non-overdue, overdue up to 30 days, overdue from 31 to 90 days, overdue from 91 to 365 days and overdue over 365 days).

## **Investments**

An entity is considered a subsidiary if the Company controls such an entity. The Company controls the investee if the Company has a right over the variable results of the investee's activities or is exposed to risks associated with them and is able to influence those results through its own authority over the investee.

The Company accounts investments in subsidiaries at cost and reviews for impairment in accordance with IAS 5 "Impairment of Assets".

Dividends received from a subsidiary are recognized in the Statement of profit or loss and other comprehensive income as finance income when the Company's right to receive payment is established.

## **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, cash in bank and deposits in banks with original maturities of up to three months.

Bank deposits with a maturity of three to twelve months are included in short-term financial investments and are carried at amortized cost using the effective interest rate.

## **Prepayments made to suppliers**

Prepayments made to suppliers are not a financial asset, as their repayment under ordinary circumstances will take place in non-monetary form at the time of shipment of goods, provision of services.

A prepayment is classified as a non-current asset if the prepaid goods or services are not expected to be received earlier than one year, or if the prepayment relates to an asset that will itself be classified on initial recognition as non-current.

Prepayments to acquire assets are included in the carrying amount of the asset after the Company has acquired control of the asset and it is probable that the future economic benefits associated with the asset will flow to the Company. Other prepayments are recognized in the Statement of profit or loss and other comprehensive income when the goods or services associated with these prepayments are received. If there is any indication that the prepayment-related assets, goods or services will not be received, the carrying amount of the prepayment is partially written off and the related impairment loss is recognized in the Statement of profit or loss and other comprehensive income.

## **Financial liabilities**

The Company's financial liabilities include trade payables, other financial accounts payable, financial lease liabilities, bank loans and settlements with participants.

### **Trade accounts payable**

Accounts payable are recognized when the counterparty has fulfilled its contractual obligations and is initially recognized at fair value. Subsequently, accounts payable are recognized at amortized cost using the effective interest rate.

Discounts on the volume of purchased products received from suppliers reduce the cost of purchased goods and are reflected as a reduction in the cost of goods sold. The amount of discounts which should be received at the reporting date is recognized as a decrease in accounts payable. Discounts on the volume of purchased products are determined on the basis of the actual amount of purchases made before that date, using the interest of the discount based on the best estimate by management of the volume of purchases for the full calendar year.

The Company's accounts payable are repayable over a period of not more than 1 year, so the amortized cost of the debt is approximately equal to the recognition cost.

### **Loans and borrowings received**

Borrowings received are recognized at amortized cost using the effective interest rate method. Borrowings are included in current liabilities, except for those borrowings, for which the Company has an unpreventable obligation of repayment, which exceeds 12 months after the balance sheet date, which are classified as non-current liabilities.

The cost of such financial liabilities is recognized as finance costs in the amount of the amortized cost of the liability using the effective interest rate.

Expenses on loans and borrowings, attracted for general and specific purposes, are directly related to the acquisition, construction or production of a qualifying asset, its preparation for its intended use or sale, necessarily requires considerable period of time (an asset that meets certain requirements) are included in the cost of such asset. The date of capitalization starts when:

- (a) the Company incurs costs associated with the asset that meet certain requirements;
- (b) it bears the cost of the loans; and
- (c) it takes the measures necessary to prepare the asset for its intended use or sale.

Capitalization of borrowing costs continues until the date when almost all the work necessary to prepare the asset for use or sale is completed. The Company capitalizes the costs of loans and borrowings that could have been avoided in the absence of the capital cost object. Capitalized borrowing costs are calculated based on the Company's average weighted cost of financing (the weighted average interest costs are applied to the cost of assets that meet certain requirements) except for the cases when funds are borrowed to acquire assets that meet certain requirements. In the case of direct borrowing to create a qualifying asset, the amount of finance costs, which should be included in the cost of the qualifying asset, are the actual finance costs recognized in the reporting period, which are associated with this borrowing (less income from temporary financial investment of the borrowed funds).

### **Lease**

The determination of the lease terms in the contract is based on the substance of the contract at the lease commencement date, in particular, whether the performance of the contract depends on the use of the specific asset, or whether the contract provides the right-of-use asset.

#### *Company as a lessee*

Finance lease, under which all the risks and rewards of ownership of the leased asset are transferred to the Company, is capitalized at the commencement date of the lease at fair value of the leased property or, if this amount is less – under the present value of the minimum lease payments. Lease payments are divided between the cost of financing and the decrease in the lease liability in the way that a constant interest rate on the outstanding amount of the liability is obtained. The cost of financing is reflected directly in the Statement of profit or loss and other comprehensive income.

Capitalized leased assets are amortized over the shorter of the estimated useful live of the asset or the lease term unless there is reasonable assurance that ownership of the asset will transfer to the Company at the end of the lease term.

Operating lease payments are recognized as an expense in the Statement of profit or loss and other comprehensive income using the straight-line method over the lease term.

#### *Company as a lessor*

Lease under in which the Company retains substantially all the risks and rewards of ownership are classified as operating lease. Initial direct costs incurred in entering into an operating lease are included in the carrying amount of the leased asset and are recognized over the lease term in proportion to the lease income. Contingent lease payments are recognized as income in the period in which they were accrued.

### **Provisions**

Provisions are recognized when, as a result of a past event, the Company has a legal or voluntary assumed obligation the settlement of which is likely will require a reduction in resources and that can be measured with a reasonable degree of reliability. In cases where the Company expects reimbursement of provisions, for example, under an insurance contract, the amount of reimbursement is recognized as a separate asset, but only if the receipt of such reimbursement is practically undoubtful.

If the effect of the time value of money is significant, the provision is calculated by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, if applicable, taking into account the specific risks associated with the liability. The increase in provisions that occurs over time when discounting is applied is recognized as finance costs.

### **Employee benefits**

#### *Salary expenses*

Salary, unified social tax, paid annual vacation and sick leave, bonuses, and non-cash benefits are accrued in the year in which the services that determine these types of remuneration were provided by the Company's employees.

### *Expenses for pension provision*

The Company makes contributions to the single social fund for its employees. The amount of social contributions in 2021 amounted to about 22% of the amount of salary of employees before taxes (taking into account the maximum base) and is reflected in the relevant operating expenses in the period, in which the accounting of wages is made. The Company does not make additional pension contributions and has no other similar obligations to its employees.

### **Revenue recognition**

The Company accounts revenue from main operating activities in accordance with the requirements of IFRS 15 “Revenue from Contracts with Customers”.

The Company recognizes revenue when it meets a performance of obligation by transferring a promised good or service to the client. The asset is transferred when the client receives control over such an asset. Asset control means ability to manage asset utilization and receive virtually all other benefits from it. The control includes the ability to prohibit other entities from managing the use of an asset and benefiting from it. Gains from an asset are potential cash flows (cash inflows or savings in cash) that can be obtained directly or indirectly in many ways, for example by:

- a) the use of an asset for the production of goods or the provision of services (including public services);
- b) use of an asset to increase the value of other assets;
- c) use of the asset to repay liabilities or reduce expenses;
- d) sale or exchange of the asset;
- e) pledging the asset as security for the loan; and
- f) retention of an asset.

Revenue recognition under the contracts with customers is based on the following five steps model:

- Step 1: Identification of the contract;
- Step 2: Identification the performance obligations in the contract;
- Step 3: Determination of the transaction price;
- Step 4: Allocation of the transaction price to the performance obligations in the contract;
- Step 5: Revenue recognition.

For the fulfillment of each obligation, the Company determines at the time of the conclusion of the contract whether it will fulfill the obligation over time, or whether it will satisfy this obligation to perform at a certain point in time. If the Company fails to comply with the obligation to execute over time, then the obligation to comply is met at a certain point in time.

The Company recognizes revenue only if the following criteria are met:

- the parties of the contract have approved the contract (in writing, orally or in accordance with other usual business practices) and are ready to fulfill their obligations;
- the Company may determine the rights of each party in respect of the goods or services that will be transferred;
- the Company can determine the terms of payment for goods or services that will be transferred;
- the agreement has a commercial nature (i.e., the risk, period of time or amount of the Company’s future cash flows is expected to change as a result of the agreement); and
- it is probable that the Company will receive compensation to which it will be entitled in exchange for goods or services provided to the customer. In assessing whether the probability of receiving the amount of compensation is high enough, the Company considers only the ability of the client and his intention to pay such amount of compensation when it is time to pay it.

If the compensation provided in the contract includes a variable amount, the Company estimates the amount of compensation to which it will be entitled in exchange for the transfer of the promised goods or services to the customer.

The amount of compensation may vary depending on discounts, rebates, points scored, price concessions, incentives, performance bonuses, fines or other similar factors.

The Company may provide customers with discounts directly at the time of sale or later for its marketing purposes.

If the amount of compensation provided in the contract at the time of sale changes in connection with the discount, the Company recognizes income taking into account the discount.

The Company provides separate conditions for the return of medicines in the case of sales, according to the license agreements.

The Company creates a provision for the return of such medicines based on an assessment of historical experience regarding the volume of products that will be returned.

The amount of deduction from income in respect of products, which is expected to be returned, the Company reflects by deducting from income at the expense of the created provision.

At the same time, the Company recognizes right-of-use assets to return those goods, for which a provision has been created by adjusting the cost.

## **Recognition of expenses**

Expenses are recognized as costs of a certain period together with recognition of revenue, to receive which they were incurred.

Expenses that can't be directly related to income of a certain period are recognized in costs of a reporting period in which they were incurred.

## **Finance income and costs**

Expenses on loans directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that require a substantial period of time to be prepared for their intended use or sale, are added to the initial cost of those assets until they are mainly ready for their intended use or sale. Investment income earned on a temporary investment of special-purpose loans awaiting expenditure for qualifying assets are deducted from the amount of expenses on loans, which are subject to capitalization.

All other expenses on loans are recognized in profit or loss in the period in which they were incurred.

Finance income includes interest income on invested funds. Finance income is recognized in the period in which it is accrued, taking into account the actual yield of a corresponding asset.

## **Taxes**

### *Value-added tax*

Sales-related VAT is payable to the tax authorities at the earliest of the following events: receipt of pre-payment from customers for shipment of goods or shipment of goods or services to customers. The VAT credit is the amount by which the taxpayer has the right to reduce its VAT liabilities in the reporting period.

Revenue, expenses and assets are recognized net of VAT, unless value added tax arising on the acquisition of assets or services is not reimbursed by the tax authorities; in this case, VAT is recognized as part of the costs for the asset acquisition or part of the costs item. The net amount of VAT reimbursed or paid to the tax authority is included in receivables or payables reflected in the Statement of financial position.

At the reporting date, the Company applied the following VAT rates:

- a) 20%; - tax rate in the general case;
- b) 7% - on the following transactions:
  - supply in the customs territory of Ukraine and import into the customs territory of Ukraine of medicines authorized for manufacture and use in Ukraine and entered in the State Register of medicines, as well as medical devices according to the list approved by the Cabinet of Ministers of Ukraine;
  - supply in the customs territory of Ukraine and import into the customs territory of Ukraine of medicines, medical devices and / or medical equipment approved for use in clinical trials, permission of which is authorized by the central executive body, which ensures the formation of state policy in the field of health care;
- c) 0% - on transactions for the export of finished goods.

### *Current income tax*

The tax payable in a current period is calculated based on the amount of a taxable profit for the year. Taxable profit differs from profit or loss recognized in the Statement of profit or loss and other comprehensive income, since it does not include items of income or expense subject to taxation or taken into account for



determining taxable items in other years. It also does not include items that are never subject to taxation or are never taken into account to determine taxable items. The Company's liabilities on current income tax are calculated using current or actual effective tax rates at the reporting date.

#### *Deferred income tax*

Deferred tax is recognized for differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the calculation of taxable profit, and is accounted using the balance sheet liability method.

Deferred tax liabilities are generally recognized in respect of all taxable temporary differences and deferred tax assets are generally recognized in respect of all temporary differences attributable to tax expenses used to determine a taxation item to the extent that it is probable that taxable profit will be received by means of which it is possible to realize these temporary differences related to tax expenses. Such assets and liabilities are not recognized, if a temporary difference arises from goodwill or from initial recognition (other than in a business combination) of other assets and liabilities in a transaction, which affects neither the taxable profit, nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that is no longer probable that sufficient taxable profit will be available to all or part of the assets subject to compensation.

Deferred tax assets and liabilities are measured at the tax rates expected to be applied in the year in which an asset will be implemented or liability settled, on the basis of enacted or announced at the reporting date tax rates and tax law provisions. Assessment of deferred tax liabilities and assets reflects tax consequences that may arise from the Company's use at the reporting date of one or another method to recover or settle the carrying amount of assets and liabilities.

#### *Current and deferred taxes for the period*

Current and deferred taxes are recognized as expenses or income in profit or loss, except when they relate to items disclosed directly in equity or other comprehensive income (in which case taxes are also recognized directly in equity or other comprehensive income).

During the year ended December 31, 2021, the corporate income tax rate for the Company was 18% (during the year ended December 31, 2020: 18%).

#### **Related parties**

For the purposes of these financial statements, the parties are considered related if one of the parties (including an individual) has the ability to control or significantly influence the operating and financial decisions of another company. When considering any relationship that can be defined as related party transactions, the substance of the transactions is taken into account, not only their legal form.

## **4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The use of the Company's accounting policies set out in Note 3 requires the management to make professional judgements, estimates and assumptions regarding the carrying amount of assets and liabilities, which can't be obtained directly from other sources. Estimates and associated assumptions are based on historical experience and other factors that are considered significant. Actual results may differ from those estimates.

Estimates and related assumptions are reviewed on an ongoing basis. The results of such revisions are recognized in the period, in which the revision is carried out, if it affects both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are provided below.

#### *1) Useful lives of property, plant and equipment*

The Company estimates the remaining useful lives of property, plant and equipment at least once a year at the end of the financial year. If expectations differ from previous estimates, changes are accounted for as changes in accounting estimates in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". In 2020, the cost criteria for recognition property, plant and equipment was increased up to UAH 20 thousand.

## 2) Provisions for impairment of assets

As at each reporting date, the Company determines the impairment of financial assets according to the model of expected credit losses. Significant management judgements take into account the criteria for impairment stages, impairment ratios for trade receivables, the level of expectations of unreceived contractual cash flows compared to initially expected and the terms of receipt of expected cash flows.

The carrying amount of the Company's non-financial assets other than inventories and deferred tax assets is reviewed at each reporting date in order to determine whether there is any indication of impairment. If any such indication exists, the amount of the expected reimbursement on the respective asset is calculated.

## 3) Provisions

Provisions are recognized when, as a result of a past event, the Company has a present legal or constructive obligation which is likely to require an outflow of resources embodying economic benefits that can be measured reliably.

## 4) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The determination of fair value is based on the assumption that a transaction to sell an asset or transfer a liability occurs either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. Both the principal and the most advantageous markets should be available to the Company.

The fair value of financial assets and liabilities is determined using various valuation techniques. Management uses its judgment to make assumptions based on market conditions that exist at each balance sheet date. If the fair value of financial assets and financial liabilities recognized in the Statement of financial position can't be obtained from active markets, they are determined using valuation techniques, including the discounted cash flow model. Management uses discounted cash flows analysis for various loans and receivables, as well as debt instruments that are not traded in active markets. The effective interest rate is determined based on the interest rates of the instruments available to the Company in active markets. In the absence of such instruments, the effective interest rate is determined based on the interest rates of available market instruments, adjusted for a specific risk premium of the Company, estimated by management.

Fair value measurement of a non-financial asset takes into account the ability of a market participant to generate economic benefits from the highest and best use of an asset, or by selling it to another market participant who will use the asset in the best and highest way.

All assets and liabilities, which fair value is measured or disclosed in the financial statements are classified within the fair value hierarchy below, beginning with lowest level inputs that have a significant impact on the entire fair value measurement:

- Level 1 – Quoted market prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level of inputs that have a significant impact on the fair value estimation is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level of inputs that have a significant impact on the fair value estimation is unobservable.

## **5. CHANGES IN THE ACCOUNTING POLICIES. RESTATEMENT OF FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 AND DECEMBER 31, 2019**

In 2021, the Company decided to change the method of inventory's valuation - from the weighted average to FIFO method. In accordance with the requirements of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", a change in the method of valuation of inventories is a change in the accounting policies and requires retrospective adjustment.

Retrospective application is the application of a new accounting policies in respect of transactions, other events and conditions as if these policies have always been applied.

The Company made a retrospective restatement as at December 31, 2019 and December 31, 2020 by conducting the following procedures:

1) adjustment of the balance of retained earnings and inventories as at December 31, 2019 in the amount of UAH 3 372 thousand;

2) adjustment of the balance of retained earnings in the amount of UAH 281 thousand and cost in the Statement of profit or loss and other comprehensive income as at December 31, 2020 in the amount of UAH 3 225 thousand. The total amount of adjustment of inventories as at December 31, 2020 amounted to UAH 134 thousand.

3) In 2020, the cost included the value of inventories sold, which according to the classification are other than goods. The Company made adjustments to cost and other operating income in the Statement of profit or loss and other comprehensive income as at December 31, 2020 in the amount of UAH 13 337 thousand.

4) re-provision of the comparative information in the financial statements.

The use of this method in the accounting process corresponds to the type of business of the Company and will allow to provide information as accurately as possible about the value of goods sold and inventory balances.

<b>5.1 Adjustments in the Statement of financial position as at December 31, 2019</b>	<b>December 31, 2019</b>	<b>December 31, 2019 (restated)</b>	<b>Adjustments</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	95 909	95 909	-
Prepayments made for PP&E	2 673	2 673	-
Right-of-use assets	23 156	23 156	-
Capital investments in progress	19 132	19 132	-
Intangible assets	399	399	-
Investments in subsidiaries	3 038	3 038	-
Deferred tax assets	23 222	23 222	-
<b>Total non-current assets</b>	<b>167 529</b>	<b>167 529</b>	<b>-</b>
<b>Current assets</b>			
Inventories	187 972	184 600	(3 372)
Trade and other receivables	391 861	391 861	-
Prepayments made	49 944	49 944	-
Cash and cash equivalents	70 793	70 793	-
Other current assets	183	183	-
<b>Total current assets</b>	<b>700 753</b>	<b>697 381</b>	<b>(3 372)</b>
Total assets	868 282	864 910	(3 372)
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	1 548	1 548	-
Other additional paid-in capital	30 000	30 000	-
Retained earnings (accumulated loss)	482 477	479 105	(3 372)
<b>Total equity</b>	<b>514 025</b>	<b>510 653</b>	<b>(3 372)</b>
<b>Non-current liabilities and provisions</b>			
Financial lease liabilities	21 568	21 568	-
<b>Total non-current liabilities</b>	<b>21 568</b>	<b>21 568</b>	<b>-</b>
<b>Current liabilities and provisions</b>			
Trade and other payables	307 434	307 434	-
Current portion of financial lease liabilities	5 194	5 194	-
Income tax payable	9 491	9 491	-
Reserves and provisions	10 570	10 570	-
<b>Total current liabilities</b>	<b>332 689</b>	<b>332 689</b>	<b>-</b>
Total liabilities	354 257	354 257	-
<b>Total equity and liabilities</b>	<b>868 282</b>	<b>864 910</b>	<b>(3 372)</b>

5.2 Adjustments in the Statement of financial position as at December 31, 2020	December 31, 2020	December 31, 2020 (restated)	Adjustments
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	100 544	100 544	-
Prepayments made for PP&E	693	693	-
Right-of-use assets	30 222	30 222	-
Capital investments in progress	331	331	-
Intangible assets	369	369	-
Investments in subsidiaries	27 342	27 342	-
Deferred tax assets	3 473	3 473	-
<b>Total non-current assets</b>	<b>162 974</b>	<b>162 974</b>	<b>-</b>
<b>Current assets</b>			
Inventories	67 488	67 622	134
Trade and other receivables	494 954	494 954	-
Prepayments made	16 432	16 432	-
Cash and cash equivalents	204 636	204 636	-
Other current assets	3 213	3 213	-
<b>Total current assets</b>	<b>786 723</b>	<b>786 857</b>	<b>-</b>
<b>Total assets</b>	<b>949 831</b>	<b>949 831</b>	<b>134</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	1 548	1 548	-
Other additional paid-in capital	30 000	30 000	-
Retained earnings (accumulated loss)	748 766	748 900	134
<b>Total equity</b>	<b>780 314</b>	<b>780 448</b>	<b>134</b>
<b>Non-current liabilities and provisions</b>			
Financial lease liabilities	22 296	22 296	-
<b>Total non-current liabilities</b>	<b>22 296</b>	<b>22 296</b>	<b>-</b>
<b>Current liabilities and provisions</b>			
Trade and other payables	103 437	103 437	-
Current portion of financial lease liabilities	7 585	7 585	-
Income tax payable	9 962	9 962	-
Reserves and provisions	26 103	26 103	-
<b>Total current liabilities</b>	<b>147 087</b>	<b>147 087</b>	<b>-</b>
<b>Total liabilities</b>	<b>169 383</b>	<b>169 383</b>	<b>-</b>
<b>Total equity and liabilities</b>	<b>949 697</b>	<b>949 831</b>	<b>134</b>

### 5.3 Adjustments in the Statement of profit or loss and other comprehensive income as at December 31, 2020

	2020	2020 (restated)	Adjustments
Revenue	3 088 548	3 088 548	-
Cost of sales	(2 407 479)	(2 390 917)	16 562
<b>Gross profit</b>	<b>681 069</b>	<b>697 631</b>	<b>16 562</b>
Profit/(loss) from operating exchange rate differences	(1 237)	(1 237)	-
Selling and distribution expenses	(257 960)	(257 960)	-
Administrative expenses	(54 736)	(54 736)	-
Other operating expenses	(27 245)	(27 245)	-
Other operating income	24 268	10 931	(13 337)
<b>Operating profit</b>	<b>364 159</b>	<b>367 384</b>	<b>3 225</b>
Finance income	52 243	52 243	-
Finance costs	(5 156)	(5 156)	-
<b>Profit before tax</b>	<b>411 246</b>	<b>414 471</b>	<b>3 225</b>
Income tax expense	(64 955)	(64 955)	-
<b>Profit for the year</b>	<b>346 291</b>	<b>349 516</b>	<b>3 225</b>
<b>Total comprehensive income for the reporting year, net of tax</b>	<b>346 291</b>	<b>349 516</b>	<b>3 225</b>

## 6. REVENUE

Revenue for the year ended December 31 is presented as follows:

	2021	2020
Revenue from sales of goods	3 961 999	3 089 413
Revenue from rendering of services	1 024	793
Provision for returns	1 614	(345)
Provision for discounts to customers	(340)	(1 313)
	<b>3 964 297</b>	<b>3 088 548</b>

  

	2021	2020
Revenue from sales in domestic market	3 964 297	3 088 548
	<b>3 964 297</b>	<b>3 088 548</b>

## 7. COST OF SALES

Cost of sales for the year ended December 31 is presented as follows:

	2021	2020 (restated, Note 5)
Cost of goods sold	(3 156 747)	(2 492 553)
Provision for impairment of inventories	(6 686)	101 636
	<b>(3 163 433)</b>	<b>(2 390 917)</b>

## 8. OTHER OPERATING INCOME

Other operating income for the year ended December 31 is presented as follows:

	2021	2020
Income from interest received	4 722	2 317
Royalty	2 000	-
Adjustment of allowance for receivables	-	5 238
Goods surpluses capitalization	-	2 012
Other operating income	638	1 364
	<b>7 360</b>	<b>10 931</b>

## 9. SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the year ended December 31 are presented as follows:

	2021	2020
Staff costs	(186 056)	(145 503)
Depreciation of property, plant and equipment	(24 821)	(17 636)
Fuel and other lubricants	(23 677)	(14 843)
Advertising and marketing	(21 991)	(37 692)
Maintenance	(12 327)	(11 646)
Transportation costs	(8 408)	(12 215)
Insurance	(4 449)	(4 773)
Business trips	(4 246)	(2 672)
Other selling and distribution expenses	(12 914)	(10 980)
	<b>(298 889)</b>	<b>(257 960)</b>

## 10. ADMINISTRATIVE EXPENSES

Administrative expenses for the year ended December 31 are presented as follows:

	2021	2020
Staff costs	(23 598)	(20 648)
Consulting services	(9 726)	(3 572)
Royalty	(8 431)	-
Depreciation of property, plant and equipment	(6 552)	(6 903)
IT services	(5 812)	(6 808)
Utilities and electricity	(4 097)	(2 207)
Stationery, household goods and printing	(2 833)	(2 060)
Bank costs	(1 903)	(1 134)
Fuel and other lubricants	(1 202)	(5 866)
Other administrative expenses	(5 963)	(5 538)
	<b>(70 117)</b>	<b>(54 736)</b>

## 11. OTHER OPERATING EXPENSES

Other operating expenses for the year ended December 31 are presented as follows:

	2021	2020
Insurance	(89 475)	-
Expenses for creating a provision for bonuses	(15 330)	(10 208)
Write-off of tax credit	(7 827)	(7 563)
Charity and donations	(3 809)	(4 104)
Free transfer of goods	-	(3 866)
Other operating expenses	(2 797)	(1 504)
	<b>(119 238)</b>	<b>(27 245)</b>

## 12. FINANCE INCOME

Finance income for the year ended December 31 are presented as follows:

	2021	2020
Dividends	43 857	52 243
	<b>43 857</b>	<b>52 243</b>

## 13. FINANCE COSTS

Finance costs for the year ended December 31 are presented as follows:

	2021	2020
Financial lease costs	(6 164)	(5 156)
	<b>(6 164)</b>	<b>(5 156)</b>

## 14. INCOME TAX

Main components of income tax expense for the year ended December 31 are presented as follows:

	2021	2020
<b>Object of taxation:</b>	<b>358 561</b>	<b>414 471</b>
Theoretical amount of income tax liability/(credit) at the statutory tax rate of 18%	(64 541)	(74 605)
Tax effect of items that are not deductible for tax purposes or are not included in the amount of taxation	6 685	29 399
Deferred income tax:		
Related to accrual and reversal of temporary differences	1 071	(19 749)
<b>Income tax expense</b>	<b>(56 785)</b>	<b>(64 955)</b>

## 15. PROPERTY, PLANT AND EQUIPMENT

Roll-forward of property, plant and equipment for the year ended December 31 is presented in the table below.

As at December 31, 2021 and December 31, 2020, the Company used vehicles with historical cost UAH 21 549 thousand (December 31, 2020 - UAH 21 549 thousand) as a collateral for loan from the EBRD.

In 2021, depreciation costs in the amount of UAH 17 846 thousand (in 2020 - UAH 16 830 thousand) were recognized in administrative expenses, selling and distribution expenses and other expenses.

As at December 31, 2021, property, plant and equipment include fully depreciated assets that are in operation in the amount of UAH 52 058 thousand (December 31, 2020 - UAH 39 436 thousand).

As at December 31, 2021 and December 31, 2020, the Company tested property, plant and equipment and capital investments for impairment signs, as a result of which management recognized that the cost of use of property, plant and equipment and capital investments exceeds their carrying amount. Accordingly, for the years ended December 31, 2021 and December 31, 2020, no impairment losses on property, plant and equipment and capital investments were recognized.

	Buildings and structures	Machinery and equipment	Tools, devices, inventory (furniture)	Vehicles	Other PP&E	Total
<b>Historical cost</b>						
As at December 31, 2019	73 083	9 159	9 387	68 323	33 161	193 113
Additions	15 398	768	269	4 914	771	22 120
Disposals	-	(391)	-	(5 294)	(31)	(5 716)
As at December 31, 2020	88 481	9 536	9 656	67 943	33 901	209 517
Additions	623	7 061	1 320	50	1 540	10 594
Disposals	-	(1 620)	-	(4 056)	(5)	(5 681)
As at December 31, 2021	89 104	14 977	10 976	63 937	35 436	214 430
<b>Accumulated depreciation</b>						
As at December 31, 2019	(32 324)	(7 843)	(5 571)	(44 729)	(6 737)	(97 204)
Charged for the year	(4 114)	(511)	(1 324)	(7 874)	(3 007)	(16 830)
Written-off on disposal	-	20	-	5 015	26	5 061
As at December 31, 2020	(36 438)	(8 334)	(6 895)	(47 588)	(9 718)	(108 973)
Charged for the year	(4 438)	(877)	(1 393)	(7 065)	(4 073)	(17 846)
Written-off on disposal	-	380	-	3 033	5	3 418
As at December 31, 2021	(40 876)	(8 831)	(8 288)	(51 620)	(13 786)	(123 401)
<b>Net carrying amount</b>						
As at December 31, 2021	48 228	6 146	2 688	12 317	21 650	91 029
As at December 31, 2020	52 043	1 202	2 761	20 355	24 183	100 544
As at December 31, 2019	40 759	1 316	3 816	23 594	26 424	95 909

## 16. RIGHT-OF-USE ASSETS

As at December 31, right-of-use assets include the following:

	December 31, 2021	December 31, 2020
Buildings and structures	45 998	30 222
	<b>45 998</b>	<b>30 222</b>

### Lease liabilities

As at December 31, financial lease liabilities are presented as follows:

	December 31, 2021	December 31, 2020
Current portion (less than 1 year)	14 844	7 585
From 1 to 5 years	28 775	22 296
	<b>43 619</b>	<b>29 881</b>
	<b>2021</b>	<b>2020</b>
Financial lease costs	(6 164)	(5 156)
Accumulated depreciation of right-of-use asset	(12 803)	(7 712)
	<b>(18 967)</b>	<b>(12 868)</b>

## 17. CAPITAL INVESTMENTS IN PROGRESS

Capital investments in progress as at December 31 are presented as follows:

	December 31, 2021	December 31, 2020
Balance at the beginning of the period	331	19 132
Additions	14 838	8 923
Transferred to PP&E and intangible assets	(14 594)	(27 724)
<b>Balance at the end of the period</b>	<b>575</b>	<b>331</b>

## 18. INTANGIBLE ASSETS

Movement of intangible assets for the year ended December 31 is presented as follows:

	Patents	Software	Other intangible assets	Total
<b>Historical cost</b>				
<b>As at December 31, 2019</b>	<b>585</b>	<b>520</b>	<b>48</b>	<b>1 153</b>
Additions	-	-	-	-
Disposals	-	-	-	-
<b>As at December 31, 2020</b>	<b>585</b>	<b>520</b>	<b>48</b>	<b>1 153</b>
Additions	-	1 445	-	1 445
Disposals	-	-	-	-
Transfer	-	90	-	90
<b>As at December 31, 2021</b>	<b>585</b>	<b>2 055</b>	<b>48</b>	<b>2 688</b>
<b>Accumulated amortization</b>				
<b>As at December 31, 2019</b>	(465)	(241)	(48)	(754)
Charged for the year	(14)	(16)	-	(30)
Written-off on disposal	-	-	-	-
<b>As at December 31, 2020</b>	<b>(479)</b>	<b>(257)</b>	<b>(48)</b>	<b>(784)</b>
Charged for the year	(14)	(223)	-	(237)
Written-off on disposal	-	-	-	-
Transfer	-	(90)	-	(90)
<b>As at December 31, 2021</b>	<b>(493)</b>	<b>(570)</b>	<b>(48)</b>	<b>(1 111)</b>
<b>Net carrying amount</b>				
<b>As at December 31, 2021</b>	<b>92</b>	<b>1 485</b>	<b>-</b>	<b>1 577</b>
<b>As at December 31, 2020</b>	<b>106</b>	<b>263</b>	<b>-</b>	<b>369</b>
<b>As at December 31, 2019</b>	<b>120</b>	<b>279</b>	<b>-</b>	<b>399</b>

## 19. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiary are recognized at cost. Impairment signs as at December 31, 2021 and December 31, 2020 were not identified.

Name of subsidiary	Main activity	%	December 31, 2021	December 31, 2020
«Yuria-Pharm», LLC	Manufacture of pharmaceutical preparations and materials	62 %	27 342	27 342

## 20. DEFERRED TAX ASSETS

As at the reporting date, deferred tax is formed by the following temporary tax differences:

	December 31, 2021	Changes in 2021	December 31, 2020	Changes in 2020	December 31, 2019
Provision for impairment of inventories	1 538	1 201	337	(18 293)	18 630
Allowance for receivables	1 992	5	1 987	(1 717)	3 704
Revaluation decrease of PP&E	24	(27)	51	(46)	542
Provision for discounts	555	61	494	236	258
Provision for returns	314	(291)	605	63	97
Provision for litigation	130	112	18	-	18
Difference on revaluation of PP&E	(9)	10	(19)	8	(27)
	<b>4 544</b>	<b>1 071</b>	<b>3 473</b>	<b>(19 749)</b>	<b>23 222</b>

Changes in the amounts of deferred tax assets for the years 2021 and 2020 are recognized in the relevant item of income tax expense of the Statement of profit or loss and other comprehensive income.



## 21. INVENTORIES

As at December 31 inventories are presented as follows:

	December 31, 2021	December 31, 2020 (restated, Note 5)	December 31, 2019 (restated, Note 5)
Goods	412 496	69 384	285 296
Materials	288	-	-
Fuel	-	-	2 098
Other inventories	669	99	703
	<b>413 453</b>	<b>69 483</b>	<b>288 097</b>
Provision for impairment	(8 547)	(1 861)	(103 497)
	<b>404 906</b>	<b>67 622</b>	<b>184 600</b>

Inventories are recognized at cost, which consists of the actual cost of their purchasing. The cost of inventories is determined by FIFO method at the time of their disposal.

As at December 31, 2021 and 2020, there are no inventories, which are collateral for loans and borrowings.

As at December 31, 2021 and 2020, the Company tested inventories for impairment signs, as a result of which management decided to accrue a provision for impairment of inventories.

Movement of the provision for impairment of inventories:

	December 31, 2021	December 31, 2020	December 31, 2019
Balance at the beginning of the period	(1 861)	(103 497)	(80 176)
Accrued	(8 036)	-	(23 321)
Used/adjusted	1 350	101 636	-
<b>Balance at the end of the period</b>	<b>(8 547)</b>	<b>(1 861)</b>	<b>(103 497)</b>

## 22. TRADE AND OTHER RECEIVABLES

As at December 31 trade and other receivables are presented as follows:

	December 31, 2021	December 31, 2020
Trade receivables	312 080	320 851
Provision for expected credit losses	(11 068)	(11 040)
	<b>301 012</b>	<b>309 811</b>
Financial assistance and borrowings provided	135 136	178 735
Tax receivables	3 034	3 565
Other receivables	3 721	2 843
	<b>141 891</b>	<b>185 143</b>
	<b>442 903</b>	<b>494 954</b>

As at December 31, 2021, receivables for financial assistance amounts to UAH 135 136 thousand (December 31, 2020 - UAH 178 735 thousand) was provided on a repayable interest-free basis. According to the agreement, the debt of the borrowing is defined as on demand.

Information about the effect of credit risk on the Company's accounts receivable with the use of the provision matrix is provided below:

	Accounts receivable for goods, works, services by terms					Total
	Non overdue	Up to 30 days	31-90 days	91-365 days	More than 365 days	
<b>December 31, 2021</b>						
Expected impairment ratio	0,01%	0,24%	7,14%	32,40%	15,51%	
Carrying amount before impairment	193 410	51 481	5 758	5 922	55 509	312 080
Provision for credit losses	(10)	(121)	(411)	(1 919)	(8 607)	(11 068)
<b>Trade receivables</b>	<b>193 400</b>	<b>51 360</b>	<b>5 347</b>	<b>4 003</b>	<b>46 902</b>	<b>301 012</b>

**Accounts receivable for goods, works, services by terms**

<b>December 31, 2020</b>	<b>Non overdue</b>	<b>Up to 30 days</b>	<b>31-90 days</b>	<b>91-365 days</b>	<b>More than 365 days</b>	<b>Total</b>
Expected impairment ratio	0,01%	0,28%	1,09%	3,17%	57,64%	
Carrying amount before impairment	220 762	13 966	6 808	63 908	15 407	320 851
Provision for credit losses	(18)	(39)	(74)	(2 028)	(8 881)	(11 040)
<b>Trade receivables</b>	<b>220 744</b>	<b>13 927</b>	<b>6 734</b>	<b>61 880</b>	<b>6 526</b>	<b>309 811</b>

Movement of the provision for expected credit losses on trade and other receivables is provided below:

	<b>Accounts receivable from main activity</b>
<b>Provision for impairment as at December 31, 2019</b>	<b>(20 577)</b>
Use of the provision for the expected credit losses	4 300
Reversal of the provision for impairment during the year	5 237
<b>Provision for impairment as at December 31, 2020</b>	<b>(11 040)</b>
Use of the provision for the expected credit losses	15
Impairment costs	(43)
<b>Provision for impairment as at December 31, 2021</b>	<b>(11 068)</b>

### 23. PREPAYMENTS MADE

As at December 31, prepayments made are presented as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Prepayments made to suppliers (in the national currency)	74 561	12 161
Prepayments made (in the foreign currency)	4 645	-
Deferred expenses	4 016	4 271
	<b>83 222</b>	<b>16 432</b>

### 24. RELATED PARTY TRANSACTIONS

#### a) Transactions with related parties

Related party transactions carried out during the reporting period are presented below:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Current assets</b>		
Financial assistance and borrowings provided	134 405	178 024
Trade receivables	52 223	76 211
Prepayments made to suppliers	65 780	8 374
Other receivables	2 000	-
<b>Current liabilities</b>		
Trade payables	97 462	63 291
Financial assistance and royalty	2 541	-
Debt to the lessor	1 090	635
Advances received	-	-
Other payables	855	-

	<b>Sales with related parties</b>		<b>Purchases with related parties</b>	
	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Subsidiary	2 500	43 985	4 502 286	3 457 819
Other related parties	4 781	2 755	127 898	48 062
	<b>7 281</b>	<b>46 740</b>	<b>4 630 184</b>	<b>3 505 881</b>

	<b>Liabilities of related parties</b>		<b>Liabilities to related parties</b>	
	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Subsidiary	109 703	82 325	23 403	60 560
Other related parties	144 705	180 284	78 545	3 366
	<b>254 408</b>	<b>262 609</b>	<b>101 948</b>	<b>63 926</b>

	Finance costs	
	December 31, 2021	December 31, 2020
Subsidiary	218	265
Other related parties	3 837	2 236
	<b>4 055</b>	<b>2 501</b>
	Sales and distribution expenses	
	December 31, 2021	December 31, 2020
Subsidiary	313	313
Other related parties	10 247	3 748
	<b>10 560</b>	<b>4 061</b>

The related party transactions described above were performed on substantially the same terms as those, which exist simultaneously for comparable transactions with third parties.

#### b) Key management remuneration

	December 31, 2021	December 31, 2020
Salary and other expenses	2 649	7 021
Social security insurance costs	479	537
	<b>3 128</b>	<b>7 558</b>

## 25. CASH AND CASH EQUIVALENTS

As at December 31 cash and cash equivalents are presented as follows:

	December 31, 2021	December 31, 2020
Cash at bank in the national currency	103 520	204 090
Cash at bank in the foreign currency	24 738	-
Cash in transit in the national currency	776	475
Cash on hand in the national currency	12	71
	<b>129 046</b>	<b>204 636</b>
	December 31, 2021	December 31, 2020
UAH	104 308	204 636
EUR	24 738	-
	<b>129 046</b>	<b>204 636</b>

Cash on current accounts is placed in reliable Ukrainian banks.

The analysis of cash and cash equivalents on the basis of credit rating according to the national scale is presented as follows:

	December 31, 2021	December 31, 2020
Rating A	128 079	203 925
Without rating*	967	711
	<b>129 046</b>	<b>204 636</b>

\* without rating includes cash on hand and a special account for VAT settlements.

The impact of estimated provisions for expected credit losses on cash balances and cash equivalents is insignificant.

## 26. EQUITY

	December 31, 2021	December 31, 2020
EMTEKO Holding, Latvia	1 084	1 084
Myronchuk V.V.	232	232
Marchenko N.V.	232	232
	<b>1 548</b>	<b>1 548</b>

The authorized capital as at December 31, 2021 and December 31, 2020 is fully paid.

As at December 31, 2021, the additional paid-in capital amounted to UAH 30 000 thousand (as at December 31, 2020: UAH 30 000 thousand) was formed at the expense of retained earnings in the previous years with the intention of further replenishment of the authorized capital.

## 27. TRADE AND OTHER PAYABLES

	December 31, 2021	December 31, 2020
Trade payables to domestic suppliers	27 974	68 418
Trade payables to foreign suppliers	78 421	8 761
	<b>106 395</b>	<b>77 179</b>
Tax liabilities accrued	7 531	23 303
Financial assistance and royalty	5 017	-
Payables to employees	4 562	490
Debt to the lessor	1 264	635
Advances received	886	907
Payables on social security insurance	584	-
Other accounts payable	1 034	923
	<b>20 878</b>	<b>26 258</b>
	<b>127 273</b>	<b>103 437</b>

## 28. RESERVES AND PROVISIONS

	Provision for discounts to customers	Provision for litigation	Provision for returns	Provision for unused vacation	Provision for other expenses and payments	Provision for bonuses	Provision for transfer pricing	Total
<b>As at December 31, 2019</b>	<b>1 432</b>	<b>101</b>	<b>3 014</b>	<b>6 023</b>	-	-	-	<b>10 570</b>
Accrued	1 322	65	8 440	13 296	(11)	-	167	23 279
Used	(9)	(65)	(8 095)	(9 796)	11	10 208	-	(7 746)
<b>As at December 31, 2020</b>	<b>2 745</b>	<b>101</b>	<b>3 359</b>	<b>9 523</b>	-	<b>10 208</b>	<b>167</b>	<b>26 103</b>
Accrued	383	620	2 718	17 718	-	15 330	239	37 008
Used	(43)	-	(4 332)	(14 647)	-	(10 741)	-	(29 763)
<b>As at December 31, 2021</b>	<b>3 085</b>	<b>721</b>	<b>1 745</b>	<b>12 594</b>	-	<b>14 797</b>	<b>406</b>	<b>33 348</b>

### Litigation

During its activities, the Company is involved in various litigations, none of which, collectively or individually, have had a material adverse effect on the Company, other than those that are already recognized in the financial statements. According to the management opinion, solving of all issues, except those recognized in the financial statements, will not have a significant impact on the financial position or performance of the Company.

### Insurance

The Company does not have full insurance coverage for its assets in the event of interruption of activities or liability to a third party due to damage to property or the environment as a result of accidents related to property or transactions of the Company, since management receives insurance protection only if it deems it economically feasible. Management believes that, based on its assessment of insurance risks and the availability and accessibility of insurance products in Ukraine, these risks were provided with appropriate insurance security. The Company has entered into a contract for insurance of inventories.

### Taxation

As a result of the unstable economic situation in Ukraine, the tax authorities of Ukraine are paying more and more attention to the business community. Due to this fact, laws and regulations affecting the activities of entities continue to change rapidly. These changes are characterized by unsatisfactory drafting of laws, ambiguous interpretations and arbitral application by the government.

In particular, tax returns are subject to review by various authorities, which according to the legislation are authorized to apply extremely severe penalties, as well as to impose fines. Although the Company

believes that it has properly reflected tax liabilities in its accounting based on its interpretation of the tax legislation, the abovementioned facts may cause tax risks for the Company.

### **Pledge agreements**

As at December 31, 2021 and December 31, 2020, the Company was the mortgagor in the pledge agreement of the movable property as collateral for the loan concluded between the subsidiary of «Yuria-Pharm», LLC and the EBRD. The carrying amount of pledged vehicles as at December 31, 2021 amounts to UAH 21 432 thousand (as at December 31, 2020: UAH 21 432 thousand).

### **Surety agreements**

The Company has liabilities for potential future payments under the surety agreement, including related parties as at December 31, 2021 in the amount of UAH 465 436 thousand (as at December 31, 2020: UAH 522 889 thousand) for the following groups of sureties:

- the loan was concluded between the subsidiary of «Yuria-Pharm», LLC and the EBRD with a carrying amount as at December 31, 2021 - UAH 465 436 thousand (as at December 31, 2020: UAH 522 889 thousand).

The term of this agreement is until the full fulfillment of obligations. As at December 31, 2021 and 2020, there were no cases of non-fulfillment by third parties of obligations in respect of which the Company acted as a guarantor. The Company estimates that all obligations of third parties in respect of which the Company has acted as a guarantor, maturity of which have not expired yet, will be fulfilled by third parties independently and in a timely manner.

## **29. Fair value of financial instruments**

The Company uses the following hierarchy to determine fair value and disclose information about it in terms of valuation models:

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

Fair value is defined as the amount for which an instrument could be exchanged in a transaction between knowledgeable, willing parties in an arm's length transaction.

The fair value of financial assets and financial liabilities measured at amortized cost corresponds to the third level of the hierarchy. The fair value of financial assets and liabilities is determined based on costing models based on discounted cash flows analysis. Because the discount rates set for the use of financial assets and liabilities are market-based and current, fair value is measured at the carrying amount. Accounts receivable and accounts payable for goods, works, services are current, and therefore their value corresponds to fair value.

Fair value is the amount, for which financial instrument could be exchanged in a current transaction between two interested unrelated parties, except in cases of forced sale or liquidation of the financial instrument. The best evidence of the fair value is the quotation of a financial instrument in an active market.

The Company has calculated the estimated fair value of financial instruments based on available market information, if any, using appropriate valuation techniques.

However, the interpretation of market information in order to determine the estimated fair value requires subjective judgements. Certain characteristics inherent to emerging market still could be observed in Ukraine, and economic conditions continue to limit the level of activity in financial markets. Market quotations may be outdated or reflect forced sales at a low price, thus not being the fair value of financial instruments.

In determining the market value of financial instruments, management used all available market information.

### *Financial assets measured at amortized cost*

The fair value of instruments with floating rate is usually their carrying amount. The estimated fair value of fixed interest rate instruments is based on the estimated future cash flows which should be received, discounted at current interest rates on new instruments that have similar credit risk and the remaining maturity. The discount rates used depend on the credit risk of the counterparty.

The fair value of financial investments was determined on the basis of market supply prices. The carrying amount of receivables from operating activities and other financial receivables is approximately equal to its fair value.

The table below presents the reconciliation of financial assets categories as at December 31, 2021:

in UAH thousand	Total	
<b>ASSETS</b>		
<b>Cash and cash equivalents (Note 25)</b>		
- Cash in bank accounts on demand	129 046	129 046
<b>Trade and other accounts receivable (Note 22)</b>		
- Trade receivables	301 012	301 012
- Other current receivables	141 891	141 891
<b>Investments (Note 19)</b>		
- Investments	27 342	27 342
<b>TOTAL ASSETS</b>	<b>599 291</b>	<b>599 291</b>

The table below presents the reconciliation of financial assets categories as at December 31, 2020:

in UAH thousand	Total	
<b>ASSETS</b>		
Cash and cash equivalents (Note 25)		
- Cash in bank accounts on demand	204 636	204 636
Trade and other accounts receivable (Note 22)		
- Trade receivables	309 811	309 811
- Other current receivables	185 143	185 143
Investments (Note 19)		
- Investments	27 342	27 342
<b>TOTAL ASSETS</b>	<b>726 932</b>	<b>726 932</b>

#### Liabilities measured at amortized cost

The fair value of borrowings is based on market quotations. The fair value of other liabilities was determined using valuation techniques. The estimated fair value of instruments with fixed interest rate and fixed maturity is based on the estimated future cash flows, which should be received, discounted at current interest rates on new instruments with similar credit risk and the remaining maturity. The fair value of liabilities repayable on demand or after the end of the notice period ("liability on demand") is measured as the amount of accounts payable repaid on demand, discounted from the date on which the first requirement to pay such amount could be received. The carrying amount of accounts payable of the main activity and other accounts payable is approximately equal to its fair value.

The fair value of financial instruments is determined using valuation techniques and presented as follows:

in UAH thousand	December 31, 2021		December 31, 2020	
	Fair value	Carrying amount	Fair value	Carrying amount
<b>ASSETS</b>				
<b>Cash and cash equivalents (Note 25)</b>				
- Cash in bank accounts on demand	129 046	129 046	204 636	204 636
<b>Trade and other accounts receivable (Note 22)</b>				
- Trade receivables	301 012	301 012	309 811	309 811
- Other current receivables	141 891	141 891	185 143	185 143
<b>Investments (Note 19)</b>				
- Investments	27 342	27 342	27 342	27 342
<b>TOTAL</b>	<b>559 291</b>	<b>559 291</b>	<b>726 932</b>	<b>726 932</b>
<b>Financial liabilities</b>				
Trade payables (Note 27)	106 395	106 395	77 179	77 179
Other payables (Note 27)	20 878	20 878	26 258	26 258
<b>TOTAL</b>	<b>127 273</b>	<b>127 273</b>	<b>103 437</b>	<b>103 437</b>

## 30. FINANCIAL RISK MANAGEMENT

The Company is influenced by the state environment risk, tax system risk, price risk, credit risk, liquidity risk, currency risk, operational risk and capital management due to the existence of financial instruments. Information concerning the influence of these risks on the Company, goals of the Company, its policy and procedures of risk measurement and management are disclosed in the notes below.

Additional explanations concerning quantitative information are disclosed in other notes to these financial statements, i.e.:

- revenue and expenses are disclosed in Notes 6-14;
- cash and cash equivalents are disclosed in Note 25;
- trade and other accounts receivable are disclosed in Note 22;
- trade and other accounts payable are disclosed in Note 27.

The Company's management is fully responsible for the establishment and control over of the risk management system.

The Company's risk management policy is designed to identify and analyze the risks, to which the Company is exposed, to establish acceptable risk limits and appropriate control mechanisms, and to monitor risks and comply with established limits. Risk management policies and systems are regularly reviewed for amendments due to changes in market conditions and the Company's activity.

### 1. State environment risk

Ukraine has been experiencing politic and economic changes, which could continue influencing the activities of the Company in this environment. Currently, Ukraine goes through a number of economic problems, which are complicated by the escalation of hostilities.

Currently, the country has taken a number of adaptive measures that facilitate doing business under the war conditions.

The prospects for future economic stability in Ukraine depend on how the military situation changes, which is not under the control of the Company.

The stabilizing factor is the fixation of the official hryvnia exchange rate. In addition, it is possible to keep inflation at an acceptable level, no signs of hyperinflationary processes are observed.

### 2. Tax system risk

The Tax Code of Ukraine is the main document in Ukraine, which regulates different taxes established by central and local authorities. The basis of the budget proceeds is: value added tax, income tax, personal income tax. Ukrainian tax legislation often has unclear or doubtful regulations. Besides, lots of changes and amendments are often made. This could lead to both: improvement or worsening of the environment. Government ministries and institutions, including tax authorities, often have different understanding and interpretations of laws, creating uncertainty and conflicts.

### 3. Price risk

Price risk affects the possibility of loss of income and profits in the economic activity of the companies. The main factors are the increase in the level of prices for purchased raw materials, the increase in the level of prices and tariffs for the services of third-party organizations, in the regulation of the level of margins on goods sold. Price risk constantly accompanies economic activity, as any uncertainty and changes in the external and internal environment of the Company affect both the price level and the dynamics of the price risk. Usually, the company can raise prices only to the level of inflation, as there are significant restrictions on the state regulator for certain active substances. The Company actively investigates, controls and manages all price risks. The main legal norms influencing the pricing mechanism of the Company are the Law on Prices and Pricing and the Resolution of the State Regulation of Prices for Medicinal Products and Medical Devices.

### 4. Credit risk

Credit risk is a risk of financial losses of the Company in the case of counterparty's failure to fulfill obligations on financial instruments or under the contract. Financial instruments that could potentially lead to a concentration of credit risk mainly consist of cash and receivables.

#### *Sensitivity to credit risk*

Carrying amount of financial assets is the maximum value, which is a subject to credit risk. Maximum value of credit risk as at December 31, 2021 and December 31, 2020 is disclosed in the following table:

<b>Assets in the Statement of Financial Position</b>	<b>Notes</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Accounts receivable	22	301 012	309 811
Other current accounts receivable	22	141 891	185 143
Cash and cash equivalents	25	129 046	204 636
Investments	19	27 342	27 342
<b>Total:</b>		<b>599 291</b>	<b>726 932</b>

The analysis of trade receivables by maturity is provided in Note 22.

The Company's main instrument for managing receivables is credit policy, which minimizes the relevant financial risks. The Company also regularly monitors the level of creditworthiness of financial institutions in which it places its own funds on deposits and current accounts.

## 5. Liquidity risk

Liquidity risk is the risk of failure of complying with Company's financial liabilities at the date of their settlement. The Company manages its liquidity by carefully monitoring of planned debt service payments for non-current financial liabilities, as well as cash outflows from day-to-day operations.

Management reviews the Company's cash flow forecasts on a monthly basis. The Company's liquidity needs are managed through both short-term and long-term forecasts, as well as by ensuring the availability of funds from the appropriate number of appropriate credit mechanisms.

Management believes that the available credit funds and expected operating cash flows are sufficient to finance the Company's current operations.

Liquidity analysis is to compare assets, grouped according to their degree of liquidity and arranged in descending order of liquidity, with liabilities, grouped by maturity dates and arranged in ascending order of maturity.

<b>Assets in descending order of liquidity</b>	<b>December 31, 2021</b>	<b>December 31, 2020 (restated, Note 5)</b>
The most liquid assets (A1)	129 046	204 636
Quick assets (A2)	526 125	511 386
Slow assets (A3)	406 496	70 835
Sticky assets (A4)	172 731	162 974
<b>Total:</b>	<b>1 234 398</b>	<b>949 831</b>

<b>Liabilities in ascending order of maturity</b>	<b>December 31, 2021</b>	<b>December 31, 2020 (restated, Note 5)</b>
The most forward liabilities (L1)	181 721	139 502
Current liabilities (L2)	14 844	7 585
Non-current liabilities (L3)	28 775	22 296
Equity (L4)	1 009 058	780 448
<b>Total:</b>	<b>1 234 398</b>	<b>949 831</b>

The absolute amounts of payment excess or deficiency as at December 31, 2021 and December 31, 2020 are presented in the table below:

<b>Excess (deficiency) of assets and liabilities</b>	<b>December 31, 2021</b>	<b>December 31, 2020 (restated, Note 5)</b>
Group 1 (A1-L1)	(52 675)	65 134
Group 2 (A2-L2)	511 281	503 801
Group 3 (A3-L3)	377 721	48 539
Group 4 (A4-L4)	(836 327)	(617 474)

The Statement of financial position is considered absolutely liquid, if: A1 > L1, A2 > L2, A3 > L3, A4 < L4. As at December 31, 2021, three conditions of liquidity are met (as at December 31, 2020 – four conditions of liquidity are met).

The following table provides a liquidity analysis of the Company as at December 31, 2021 and December 31, 2020 with the use of liquidity indicators calculation:



Liquidity indicators	December	December
	31, 2021	31, 2020 (restated, Note 5)
Absolute liquidity ratio	65,7%	138,9%
Quick liquidity ratio	333,3%	486,8%
Current liquidity ratio	540,1%	533,8%

The absolute liquidity ratio shows the amount of payables that company can repay immediately. This ratio should not be below 0.2. As at 31.12.21, the Company may immediately repay 66% of accounts payable (as at 31.12.20 – 100%).

The quick liquidity ratio shows how liquid funds of the company cover its current liabilities. Liquid assets include all current assets of the company, except for inventories. The recommended ratio from 0.7-0.8 to 1.5. As at 31.12.21, Company's liquid funds cover its current liabilities by 333.3% (as at 31.12.20 – 486.8%).

The current liquidity ratio shows whether the company owns enough funds that may be used to repay its current liabilities during the year. The recommended ratio is from 1 to 2. As at 31.12.21 and 31.12.20, the Company has sufficient funds to repay its current liabilities.

The table below presents the analysis of monetary liabilities of the Company grouped by maturities remaining until the contractual maturity of liability.

Liabilities in the Statement of Financial Position as at December 31, 2021	Up to 1 year	From 1 to 5 years	Over 5 years	Total
Financial lease liabilities	14 844	27 383	1 392	43 619
Trade and other accounts payable	127 273	-	-	127 273
<b>Total:</b>	<b>142 117</b>	<b>27 383</b>	<b>1 392</b>	<b>170 892</b>

Liabilities in the Statement of Financial Position as at December 31, 2020	Up to 1 year	From 1 to 5 years	Over 5 years	Total
Financial lease liabilities	7 585	22 296	-	29 881
Trade and other accounts payable	103 437	-	-	103 437
<b>Total:</b>	<b>110 022</b>	<b>22 296</b>	<b>-</b>	<b>133 318</b>

## 6. Currency risk

Management establishes limits to the currency risk exposure by currencies and as a whole. Positions that could affect the Company's results of operations due to currency fluctuations are currently being monitored on an ongoing basis. Only monetary assets and liabilities are included in the analysis. Non-monetary assets are not considered as those being able to bring to a significant currency risk.

The exposure to exchange rate risk is a consequence of the Company's significant export-import operations. Mainly the Company performs its activities in the following currencies: US Dollar (USD) and Euro (EUR),

The table below presents the Company's monetary assets and liabilities at their carrying amount.

31.12.2021	EUR	Total
Cash and cash equivalents	24 738	24 738
Trade accounts payable	(78 421)	(78 421)
<b>Total carrying amount exposed to risk</b>	<b>(53 683)</b>	<b>(53 683)</b>

31.12.2020	EUR	Total
Trade accounts payable	(8 761)	(8 761)
<b>Total carrying amount exposed to risk</b>	<b>(8 761)</b>	<b>(8 761)</b>

The table below presents sensitivity of the Company's profit before tax to a possible moderate change in exchange rate, when other components remain unchanged:

31.12.21	Increase / (decrease)	Effect on profit before tax
EUR	10%	(5 368)
EUR	(10%)	5 368
31.12.20	Increase / (decrease)	Effect on profit before tax
EUR	10%	(876)
EUR	(10%)	876

## 7. Capital management

Capital management of the Company is directed on maintenance of going concern basis of the Company with simultaneous increase in profits.

The Company does not have a formal internal document setting out the principles of capital management, however, management takes measures to maintain capital at a level sufficient to meet the operational and strategic needs of the Company, as well as to maintain the confidence of market participants. This is achieved through effective cash management, ongoing monitoring of revenue and profits, and the planning of long-term investments financed by the Company's operating activities. Implementing these measures, the Company seeks to ensure sustainable profit growth.

		December 31, 2020
	Notes	December 31, 2021 (restated, Note 5)
<b>Calculation of financial indicators</b>		
Registered (share) capital	26	1 548
Retained earnings (accumulated loss)		977 510
Additional paid-in capital	26	30 000
<b>Total equity</b>		<b>1 009 058</b>
Non-current liabilities	16	28 775
Current portion of non-current liabilities	16	14 844
Trade accounts payable	27	106 395
Other accounts payable	27	20 878
<b>Total borrowings</b>		<b>170 892</b>
Cash and cash equivalents	25	(129 046)
<b>Net debt</b>		<b>41 846</b>
<b>Total equity and net debt</b>		<b>1 050 904</b>
<b>Net debt/ Total equity and net debt</b>		<b>0,04</b>

Retained earnings of the Company for the year ended December 31, 2021 increased compared with the year ended December 31, 2020. For the year ended December 31, 2021, the Company's profit amounted to UAH 301 776 thousand (2020 (restated): UAH 349 516 thousand). As at December 31, 2021, total borrowings of the Company increased by 28.2% compared to December 31, 2020.

## 8. Operational risk

In 2021 and 2020, the Company's financial results are characterized by high performance. The Company's profit for the year ended December 31, 2021 amounted to UAH 301 776 thousand (2020 (restated): UAH 349 516 thousand).

It should be noted that in 2021 the Company managed to increase sales due to the expansion of the regional market, marketing activities and assortment range of products.

## 31. EVENTS AFTER THE REPORTING PERIOD

In accordance with the requirements of IAS 10 "Events After the Reporting Date", management reports that after the reporting date adjusting events that could have a significant effect on the Company's assets and liabilities as at 31.12.21 did not occur.

As at 24th February 2022, the Russian Federation has begun the military aggression against Ukraine, which became a basis for the imposition of a martial law and has led to difficulties in conducting of the Company's operating activity. The possibility of making import payments was limited, except for critical import goods, the list of which includes the Company's assets.

The Company has quickly adapted to new conditions, continues to operate and fulfills its obligations to its counterparties. Also, no signs of bankruptcy/insolvency of the Company's main debtors were identified.

According to the resolution of the Cabinet of Ministers of Ukraine № 211 dated 11.03.2020 "On prevention of the spread of COVID-19 acute respiratory disease caused by the SARS-CoV-2 coronavirus in Ukraine", the Company's activity is not prohibited. The Company's management has taken measures to provide employees with personal protective equipment, compliance with sanitary norms to prevent the spread of the virus. Employees whose nature of work allows, were transferred to remote work. The operational headquarter, established in the Company, takes measures to reduce operating costs without compromising the production process.



