

**OVOSTAR UNION PCL AND ITS SUBSIDIARIES  
CONSOLIDATED CONDENSED INTERIM  
FINANCIAL STATEMENTS**

**For the three months ended 31 March 2022**

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## REPRESENTATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

Members of the Board of Directors of Ovostar Union Public Company Limited in accordance with Sub-section (3c) and (7) of the Section (9) of the Law providing for transparency requirements in relation to information about issuers whose shares are admitted to trading on a regulated market (L.190(I)/2007 - "Transparency Law") herewith confirms that to the best of their knowledge:

The present consolidated condensed interim financial statements

(i) have been prepared in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and in compliance with the requirements set forth in Subsection (4) of the Section (9) of the Transparency Law, and

(ii) give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and the undertakings included in the consolidated accounts taken as a whole.

23 May 2022



.....  
Borys Brielikov  
Chief Executive Officer,  
Executive Director



.....  
Vitalii Veresenko  
Chairman of the Board,  
Non-executive Director



.....  
Karen Arshakyan  
Head of Audit Committee,  
Non-executive Director



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Markiyano Markevych  
Non-executive Director



.....  
Vitalii Sapozhnik  
Chief Financial Officer

	Note	3 months ended 31 March 2022 (unaudited)	3 months ended 31 March 2021 (unaudited)
Revenue from contracts with customers	8	27 708	32 166
Changes in fair value of biological assets	17	(17 480)	(134)
Cost of sales	9	(23 612)	(25 127)
<b>Gross profit</b>		<b>(13 384)</b>	<b>6 906</b>
Selling and distribution costs	10	(1 943)	(1 757)
Administrative expenses	11	(699)	(807)
Other operating income	12	434	111
Other operating expenses	13	(93)	(79)
<b>Operating profit</b>		<b>(15 686)</b>	<b>4 374</b>
Finance costs		(766)	(55)
Finance income		9	406
<b>Profit before tax</b>		<b>(16 443)</b>	<b>4 726</b>
Income tax expense		-	(10)
<b>Profit for the period</b>		<b>(16 443)</b>	<b>4 715</b>
<b>Other comprehensive income</b>			
Exchange differences on translation to presentation currency		(6 836)	1 477
Other comprehensive income for the period, net of tax		(6 836)	1 477
<b>Total comprehensive income for the period, net of tax</b>		<b>(23 279)</b>	<b>6 192</b>
Profit for the period attributable to:			
Equity holders of the parent company		(16 645)	4 721
Non-controlling interests		202	(6)
<b>Total (loss) / profit for the period</b>		<b>(16 443)</b>	<b>4 715</b>
Other comprehensive income attributable to:			
Equity holders of the parent company		(6 804)	1 466
Non-controlling interests		(32)	11
<b>Total other comprehensive income</b>		<b>(6 836)</b>	<b>1 477</b>
Total comprehensive income attributable to:			
Equity holders of the parent company		(23 449)	6 187
Non-controlling interests		170	5
<b>Total comprehensive income</b>		<b>(23 279)</b>	<b>6 192</b>
Earnings per share:			
Weighted average number of shares		6 000 000	6 000 000
Basic and diluted, profit for the period attributable to ordinary equity holders of the parent (USD per share)		(2,77)	0,79



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Vitalii Sapozhnik  
Chief Financial Officer

	Note	31 March 2022 (unaudited)	31 December 2021 (unaudited)	31 March 2021 (unaudited)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Biological assets	17	26 833	45 079	41 574
Property, plant and equipment and intangible assets	18	42 061	46 339	47 638
Deferred tax assets		175	188	1
Other non-current assets		-	-	16
<b>Total non-current assets</b>		<b>69 069</b>	<b>91 606</b>	<b>89 229</b>
<b>Current assets</b>				
Inventories	19	17 271	13 021	13 731
Biological assets	17	14 775	15 459	14 336
Trade and other receivables	20	10 396	15 471	15 449
Prepayments to suppliers		577	3 114	1 577
Prepayments for income tax		26	28	27
Cash and cash equivalents	21	3 187	2 435	1 498
<b>Total current assets</b>		<b>46 232</b>	<b>49 528</b>	<b>46 618</b>
<b>Total assets</b>		<b>115 301</b>	<b>141 134</b>	<b>135 847</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Issued capital	22	67	68	70
Share premium		30 933	30 933	30 933
Foreign currency translation reserve		(132 716)	(125 912)	(128 484)
Retained earnings		203 739	202 633	202 633
Result for the period		(16 645)	1 106	4 721
<b>Equity attributable to equity holders of the parent</b>		<b>85 378</b>	<b>108 828</b>	<b>109 874</b>
Non-controlling interests	7	647	476	723
<b>Total equity</b>		<b>86 025</b>	<b>109 305</b>	<b>110 596</b>
<b>Non-current liabilities</b>				
Interest-bearing loans and other financial liabilities	23	4 824	9 494	4 943
Deferred tax liability		1 005	1 078	316
<b>Total non-current liabilities</b>		<b>5 829</b>	<b>10 572</b>	<b>5 259</b>
<b>Current liabilities</b>				
Trade and other payables	24	14 508	14 347	10 913
Deferred income		2 714	2 981	3 124
Advances received		80	543	595
Interest-bearing loans and other financial liabilities	23	6 146	3 387	5 361
<b>Total current liabilities</b>		<b>23 447</b>	<b>21 257</b>	<b>19 992</b>
<b>Total liabilities</b>		<b>29 277</b>	<b>31 829</b>	<b>25 251</b>
<b>Total equity and liabilities</b>		<b>115 301</b>	<b>141 134</b>	<b>135 847</b>



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	Attributable to equity holders of the parent company							
	Issued capital	Share premium	Foreign currency translation reserve	Retained earnings	Result for the period	Total	Non-controlling interests	Total equity
<b>As at 31 December 2020 (audited)</b>	<b>74</b>	<b>30 933</b>	<b>(129 954)</b>	<b>199 931</b>	<b>2 702</b>	<b>103 686</b>	<b>718</b>	<b>104 404</b>
Profit for the period					4 721	4 721	(6)	4 715
Other comprehensive income			1 466		-	1 466	11	1 477
<b>Total comprehensive income</b>			<b>1 466</b>		<b>4 721</b>	<b>6 187</b>	<b>5</b>	<b>6 192</b>
Allocation of prior period result			-	2 702	(2 702)	-	-	-
Exchange differences	(4)	-	4	-	-	-	-	-
<b>As at 31 March 2021 (unaudited)</b>	<b>70</b>	<b>30 933</b>	<b>(128 484)</b>	<b>202 633</b>	<b>4 721</b>	<b>109 873</b>	<b>723</b>	<b>110 596</b>
<b>As at 31 December 2021 (unaudited)</b>	<b>68</b>	<b>30 933</b>	<b>(125 912)</b>	<b>202 633</b>	<b>1 106</b>	<b>108 828</b>	<b>476</b>	<b>109 305</b>
Profit for the period					(16 645)	(16 645)	202	(16 443)
Other comprehensive income			(6 804)			(6 804)	(32)	(6 836)
<u>Total comprehensive income</u>			<u>(6 804)</u>		<u>(16 645)</u>	<u>(23 449)</u>	<u>170</u>	<u>(23 279)</u>
Allocation of prior period result				1 106	(1 106)			
Dividends								
Exchange differences	(1)					(1)		(1)
<b>As at 31 March 2022 (unaudited)</b>	<b>67</b>	<b>30 933</b>	<b>(132 716)</b>	<b>203 739</b>	<b>(16 645)</b>	<b>85 378</b>	<b>647</b>	<b>86 025</b>




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Chief Financial Officer

	Note	3 months ended 31 March 2022 (unaudited)	3 months ended 31 March 2021 (unaudited)
<b>Operating activities</b>			
(Loss) / profit before tax		(16 443)	4 726
Depreciation of property, plant and equipment and amortisation of intangible assets	9, 10, 11	1 038	1 042
Net change in fair value of biological assets	17	17 480	134
Disposal of property, plant and equipment		8	1
Disposal of biological assets		1 051	529
Finance income		(53)	(406)
Finance costs		77	55
Recovery of assets previously written-off	12	(15)	0
Government subsidies		(211)	(69)
Expected credit loss on doubtful accounts receivable and prepayments to suppliers	13	43	58
(Increase)/Decrease in trade and other receivables	20	5 089	377
Decrease/(Increase) in prepayments to suppliers		2 543	(328)
Decrease/(Increase) in inventories	19	(4 670)	(392)
Decrease/(Increase) in trade and other payables and advances received	24	664	(1 305)
Income tax paid			
<b>Net cash flows from operating activities</b>		<b>6 602</b>	<b>4 426</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(580)	(73)
Increase in biological assets	17	(3 329)	(4 473)
<b>Net cash flows used in investing activities</b>		<b>(3 908)</b>	<b>(4 546)</b>
<b>Financing activities</b>			
Proceeds from borrowings		1 047	
Repayment of borrowings		(2 799)	
Interest received		9	6
Interest paid		(90)	(40)
<b>Net cash flows used in financing activities</b>		<b>(1 834)</b>	<b>(34)</b>
Net (decrease)/increase in cash and cash equivalents		860	(154)
Effect from translation into presentation currency		(107)	26
Cash and cash equivalents at 1 January		2 434	1 626
<b>Cash and cash equivalents at 31 March</b>		<b>3 187</b>	<b>1 498</b>

For translating results and financial position into a presentation currency, the Group applies IAS 21 "The Effects of Changes in Foreign Exchange Rates". Procedures and rules applied by the Group are specified in Note 2.3.



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Chief Financial Officer

## 1. CORPORATE INFORMATION

**Ovostar Union Public Company Limited** (referred to herein as the “Company”) is a limited liability company incorporated on 22 March 2011 in Amsterdam under the laws of the Netherlands. Following resolution of the Extraordinary Meeting of Shareholders held in Amsterdam on 30 August 2018 the Company was redomiciled to Cyprus and on 29 November 2018 was registered with the Register of Companies of the Republic of Cyprus as a company continuing in the Republic of Cyprus. As of 31 March 2022 the Company’s registered address is 22 Ierotheou Street, Strovolos, Nicosia 2028, Cyprus.

Principal activities of the Group include egg production, distribution, egg products manufacturing and production of related products. The largest shareholder of the Company is Prime One Capital Ltd., Cyprus whose principal activity is the holding of ownership interests in its subsidiary and strategic management.

The Group operates through a number of subsidiaries in Ukraine, Latvia, United Arab Emirates and British Virgin Islands (the list of the subsidiaries is disclosed in Note 7) and has a concentration of its business in Ukraine, where its production facilities are located. Subsidiary companies are registered under the laws of Ukraine, British Virgin Islands, Latvia and United Arab Emirates. The registered address and principal place of business of the subsidiary companies in Ukraine is 34 Petropavlivska Street, Kyiv, Ukraine.

Information on other related party relationships of the Group is provided in Note 22.

The consolidated condensed interim financial statements for the three months ended 31 March 2022 were authorized by The Board of Directors on 23 May 2022.

## 2. BASIS OF PREPARATION

### 2.1. Statement of compliance and basis of measurement

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS EU” hereinafter).

The companies of the Group maintain their accounting records under Ukrainian Accounting Standards (“UAS” hereinafter). UAS principles and procedures may differ from those generally accepted under IFRS EU. Accordingly, the consolidated financial statements, which have been prepared from the Group entities’ UAS records, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS EU.

The consolidated financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date.

<u>Items</u>	<u>Measurement basis</u>
Biological assets	Fair value less costs to sell

Details of the Group accounting policies are included in Note 5.

### 2.2. Going concern basis

The consolidated financial statements are prepared on a going concern basis, under which assets are sold and liabilities are repaid in the ordinary course of business.

The invasion of Ukraine by the Russian military forces that started on February 24, 2022 has brought about a number of risks and uncertainties that may challenge the appropriateness of management’s use of the going concern assumption. Having examined the existing and potential implications of the war for the Ukraine located businesses, the management of the Group have identified several points of specific concern that require careful analysis and assessment. They include, but are not limited to, the following:

- Risks related to the personnel safety
- Risk of physical destruction of the production assets
- Risks of disruption of the supply and distribution chains
- Risk of liquidity and limited access to financing

As at the date of the present report, the findings of the examination of the above issues are as follows.

### Staff and management

The Group places top priority on the personnel’s health and safety issues. All possible action has been taken to minimize the existing threats and support the staff during this dramatic period. The HR department on a daily basis keeps record of the location of each employee to



make sure that everyone is in a safe place. All administrative staff has been granted the option to work remotely. The Group closely monitors the needs of the team and promptly reacts to them within the limits of its capabilities. Forty men from the company's staff were called up to the military service.

The Group's management continue to fulfill their duties without interruptions.

#### **Production facilities**

The Group's major production facilities are located in Kyiv region, in Fastivskiy and Bilotserkivskiy districts, where no severe hostilities took place. The poultry houses in Vasilkiv and Stavyshe, as well as the egg-processing factory in Vasilkiv, remain physically undamaged and keep operating.

The egg-processing factory in Makariv (Buchanskiy district) had been temporarily shut down until the city was de-occupied by the Ukrainian military forces in the end of March. The subsequent inspection of the factory showed signs of non-critical damages of administrative and manufacturing buildings. The production equipment and stocks of egg products are fully intact. The management expect to put the factory back in operation once the repairing works of the premises are completed.

The supporting facilities accommodating hatchery, poultry houses for parent flock and young layers have not been affected and are being used in accordance with the technological process.

#### **Supply and distribution**

The Group has historically relied on the suppliers located in the central part of Ukraine, which implies efficient logistics and reasonably prompt deliveries to the production sites. Major contractors have not been affected by the hostilities and continue to fulfill their contractual obligations.

The military action had no critical impact on the local distribution. The main distribution channel for the egg segment is the large national retail chains. Geographically the sales are concentrated in the central part of the country. The share of sales in the most affected regions does not exceed 10%. The loss of the market in the east and south of the country could supposedly be offset by the increasing demand in the central and western Ukraine, where large numbers of internally relocated people temporarily reside.

#### **Exports**

Since the start of the military campaign, the Group faced significant obstacles to export activities due to the serious disruptions in logistics. In particular, seizure of Odessa port operations cut access to the Middle East markets, where the commodities were shipped by sea. Overland deliveries to the EU countries resumed in early April after the specific license had been issued to the company.

#### **Imports**

The Group's production companies depend on imports in terms of certain feed mix supplements, vaccines, spare parts of production equipment. These items are included in the list of "critical imported goods" (as defined in the Cabinet of Ministers of Ukraine's Resolution No. 153 dated 24 February 2022) and there are no restrictions for their delivery to Ukraine. The management also take steps to select adequate substitutes in the local market.

#### **Liquidity and access to financing**

As of 31 March 2022 there are no signs of material deterioration of the payment discipline. The Group has sufficient recourses to meet its contractual obligations.

Interest bearing liabilities towards the banks are served timely. The prescheduled repayments of main debt have been postponed to a later dates based on mutual agreements with the banks.

As of 31 March 2022 the companies of the Group had unutilized fully collateralized credit facilities in total amount of USD 5 000 thousand available on demand.

The management have elaborated comprehensive operational and financial forecasts for the 12 months period after the reporting date. The estimated net cash-flow is expected to be sufficient for the Group to continue as a going concern.

Taking into account the above, the management have grounds to believe that in the reasonably foreseeable future the Group will have sufficient resources to cover its operational needs and fulfill its contractual obligations, thus a going concern basis is applicable to the present financial statements.

The accompanying consolidated financial statements do not include adjustments that would need to be made in case if the Group was unable to continue as a going concern.

### 2.3 Functional and presentation currency

The functional currency of the Company is U.S. dollar (USD). The consolidated financial statements are presented in the Company's functional currency, that is, U.S. dollar (USD). The operating subsidiaries have Ukrainian Hryvnia (UAH) as their functional currency. All values are rounded to the nearest thousands, except when otherwise is indicated.

The USD has been selected as the presentation currency for the Group as: (a) management of the Group manages business risks and exposures, and measures the performance of its businesses in the USD; (b) the USD is widely used as a presentation currency of companies engaged primarily in agricultural; and (c) the USD is the most convenient presentation currency for non-Ukrainian users of these IFRS consolidated financial statements.

The Group translates its results and financial position into the presentation currency as follows:

- assets and liabilities, as well as the issued capital, for each statement of financial position presented (i.e. including comparatives) shall be translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income or separate income statement presented (i.e. including comparatives) shall be translated at exchange rates at the dates of the transactions; and
- all resulting exchange differences shall be recognized in other comprehensive income.

During three months ended 31 March 2022 and 2020, the exchange rate had significant fluctuations. Consistent with IAS 21, if exchange rates fluctuate significantly, the use of the average rate for a period is inappropriate. Considering significant depreciation of Ukrainian currency against major foreign currencies and seasonality of sales, Management of the Group decided to translate income and expense items at average quarterly rates. On consolidation, the assets and liabilities of the subsidiaries are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average quarterly rates, unless the exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in "Other comprehensive income" and accumulated in the "Foreign currency translation reserve".

Relevant exchange rates are presented as follows:

	31 March 2022	Average 1st quarter 2022	31 December 2021	31 March 2021	Average 1st quarter 2021
USD/UAH	29,2549	28,5545	27,2782	27,8852	27,9694
EUR/UAH	32,5856	32,2788	30,9226	32,7233	33,7569
USD/PLN	4,1843	4,1269	4,0447	3,9617	3,7675
USD/EUR	0,8998	0,8915	0,8815	0,8526	0,8296

### 3. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements;
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary,

adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

#### **4. USE OF ESTIMATES AND ASSUMPTIONS**

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, due to uncertainty about these estimates, actual results recorded in future periods may differ from such estimates.

These consolidated financial statements include management's estimates regarding the value of assets, liabilities, revenues, expenses, and recognized contractual obligations. These estimates mainly include:

##### **4.1 Impairment of property, plant and equipment**

In accordance with IAS 36 "Impairment of Assets" the Group reviews the carrying amount of non-current tangible assets (mainly property, plant and equipment) to identify signs of impairment of these assets.

If there is an indication that an asset may be impaired, the Group uses a model of strategic planning in order to calculate the discounted cash flows (using the "value in use" method, as defined in IAS 36) and, thus, assess the recoverability of the carrying amount of property, plant and equipment. The model was based on budgets and forecasts approved by the management for the next 5 years.

Expected future cash flows reflect long-term production plans formed on the basis of past experience and market expectations. The plans take into account all relevant characteristics of poultry farming, including egg production, volume of egg processing, prices for main components of mixed fodder. Thus, the production capacity is the basis for forecasting the future production volume for each subsequent year and related production costs.

Levels of costs included in projected cash flows are based on current long-term production plans. When conducting impairment testing, recent levels of costs are taken into account, as well as the expected cost changes based on the current condition of operating activities and in accordance with the requirements of IAS 36. IAS 36 provides a number of restrictions on future cash flows, which may be recognized in respect of future restructuring and capital modernization expenses.

Below are the key assumptions that formed the basis for forecasting future cash flows in the models:

- prices for main components of mixed fodder are based on internal forecasts of the Group's management;
- production data (production of eggs, safety of livestock, meat production volume, production of egg products) based on internal forecasts of the Group's management from past experience;
- selling prices for eggs, egg products and poultry meat are based on forecasts of the Group's management and market expectations.

Management believes that calculations of the recoverable amount are most sensitive to changes in such assumptions as the price of poultry meat, price of eggs and eggs product, price of poultry fodder and production data. Management believes that any reasonably possible change in key assumptions on which the recoverable amount of the Group is based will not cause the excess of carrying amount of the Group over its recoverable amount.

Application of IAS 36 requires extensive judgments by the management regarding estimates and assumptions related to future cash flows and discount rate. Given the nature of the current global economic environment, such assumptions and estimates have a high degree of uncertainty. Therefore, other similar assumptions may lead to significantly different results.

##### **4.2 Fair value of biological assets**

Estimation of fair value of biological assets is based on the discounted cash flow model. The fair value of biological assets might be affected by the fact that the actual future cash flows will differ from the current forecast, which typically occurs as a result of significant changes in any factors or assumptions used in the calculations.

Among such factors are:

- differences between actual prices and price assumptions used in estimating net realizable value of eggs;
- changes in productivity of laying hens;
- unforeseen operational problems inherent in the branch specificity;

- age of hens at the end of the reporting period;
- changes in production costs, costs of processing and products sales, discount and inflation rates and exchange rates that could adversely affect the fair value of biological assets.

The key assumptions concerning biological assets based on discounted cash flow approach are presented as follows:

- cost planning at each stage of poultry farming will remain constant in future periods;
- egg production volume will not be significantly changed;
- egg sale price in future periods;
- long-term inflation rate of Ukrainian UAH in future periods;
- discount rate for determining the present value of future cash flows expected from the biological assets (Note 17).

Management determined that calculations of the fair value of biological assets are the most sensitive to changes in such assumptions as the volume of egg production, cost planning and prices of eggs, eggs product and poultry meat. Management believes that any reasonably possible change in key assumptions will not cause any significant change in the fair value of biological assets.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- 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
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Although some of these assumptions are obtained from published market data, the majority of these assumptions are estimated based on the Group's historical and projected results.

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in Notes 17, 32.

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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place 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.

#### 4.3 Expected credit losses

Financial assets of the Group that are subject to IFRS 9's expected credit loss model are represented by trade receivables. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables and contract assets. Cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

#### 4.4 Useful lives of property, plant and equipment

The Group estimates useful lives of property, plant and equipment at least at the end of each financial year and, if expectations differ from previous estimates, changes are recorded as changes in accounting estimates in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". These estimates can have a significant impact on the carrying amount of property, plant and equipment and depreciation expenses during the period.

#### 4.5 Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that the inflow of taxable profit is possible, at the expense of which these losses may be implemented. Significant judgments are required from the management in determining the amount of deferred tax assets that can be recognized on the basis of the possible terms of receipt and the level of future taxable profit together with the future tax planning strategy.

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 5.1 Recognition and measurement of financial instruments

#### Financial instruments: key measurement terms

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 best evidence of fair value is the price in an active market. An active market is one in which

transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows:

- Level 1: Measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2: Valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and
- Level 3: Valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial

instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortized cost is the amount at which the financial instrument was recognized at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortization of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortized discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortized over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

#### **Financial instruments: initial recognition**

Financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognized for financial assets measured at amortized cost and investments in debt instruments measured at fair value through other comprehensive income, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognized when the entity becomes a party to the contractual provisions of the instrument.

The Group uses discounted cash flow valuation techniques to determine the fair value of loans to related parties that are not traded in an active market. Differences may arise between the fair value at initial recognition, which is considered to be the transaction price, and the amount determined at initial recognition using a valuation technique with level 3 inputs. If any differences remain after calibration of model inputs, such differences are amortized on a straight-line basis over the term of the currency swaps, loans to related parties. The differences are immediately recognized in profit or loss if the valuation uses only level 1 or level 2 inputs.

## **5.2 Financial assets**

#### **Financial assets: Classification and subsequent measurement: measurement categories**

The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent

measurement of debt financial assets depends on:

- 1) The Group's business model for managing the related assets portfolio and
- 2) the cash flow characteristics of the asset.

As at 31 March 2022 and 31 March 2022 the Group did not hold financial assets at FVOCI.

**Financial assets: Classification and subsequent measurement: business model**

The business model reflects how the Group manages the assets in order to generate cash flows - whether the Group's objective is:

- 1) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows") or
- 2) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect Contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated.

**Financial assets: Classification and subsequent measurement: cash flow characteristics**

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

The Group holds the trade receivables with the objective to collect contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. Details about the Group's impairment policies and the expected credit loss measurement are provided in Note 31.

**Financial assets: Reclassification**

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The entity did not change its business model during the current and comparative period and did not make any reclassifications.

**Financial assets: Credit loss allowance for ECL**

The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Group measures ECL and recognizes Net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects:

- an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes,
- time value of money and
- all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Financial assets of the Group that are subject to IFRS 9's new expected credit loss model are represented by trade receivables. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables and contract assets. Cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

**Financial assets: Write-off**

Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. Indicators that there is no reasonable expectation of recovery include:

- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty.

The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

#### **Financial assets: Derecognition**

The Group derecognizes financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying passthrough arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

#### **Financial assets: Modification**

The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognizes the original financial asset and recognizes a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognized and fair value of the new substantially modified asset is recognized in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognizes a modification gain or loss in profit or loss.

#### **5.3 Effective interest rate method**

The effective interest rate method is used to calculate the amortized cost of a financial asset and distribute interest income during the relevant period. The effective interest rate is the rate that enables discounting of estimated future cash receipts through the expected life of a financial asset or a shorter period, if applicable.

Revenues relating to debt instruments are recorded using the effective interest rate method, except for financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss - a financial asset is classified as at fair value through profit or loss if it is held for trading or designated at fair value through profit or loss.

#### **5.4 Cash and cash equivalents**

Cash and cash equivalents include cash on hand and cash in bank accounts and deposits with an original maturity date of three months or less and are stated at fair value.

#### **5.5 Cash deposits**

Cash deposits in the statement of financial position are held for the investment activities. For the purpose of the consolidated statement of cash flows, short-term deposits are included in the investing activities.

#### **5.6 Impairment of financial assets**

Financial assets, except for financial assets at fair value through profit or loss, at each reporting date are assessed for signs indicating impairment. Impairment loss is recognized when there is objective evidence of reduction of the estimated future cash flows on this asset as a result of one or more events that occurred after the financial asset was recorded in the accounting. For financial assets at amortized cost, the amount of impairment is calculated as the difference between the asset's carrying amount and present value of the expected future cash flows discounted using the effective interest rate. Impairment loss directly reduces the carrying amount of all financial assets, except for accounts receivable on principal activities, carrying amount of which is reduced due to the allowance formed. If the accounts receivable on principal activities are uncollectible, they are written-off against the related allowance. Subsequently received reimbursements of amounts previously written-off are recorded in credit of the allowance account. Changes in the carrying amount of the allowance account are recorded in the profit and loss.

Except for equity instruments available for sale, if in a subsequent period the amount of impairment loss decreases and such decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss previously recognized is recovered by adjusting the items in the income statement. In this case, the carrying amount of financial investments at the date of recovery of impairment cannot exceed its amortized cost, which would be reflected in the case, if impairment was not recognized.

In respect of equity securities available for sale, any increase in fair value after recognition of impairment loss relates directly to equity.

### **5.7 Writing-off of financial assets**

The Group writes-off a financial asset only if rights for cash flows under the corresponding contract terminated the treaty or if a financial asset and corresponding risks and rewards are transferred to other organization. If the Group does not transfer or retain all the principal risks and rewards of ownership of the asset and continues to control the transferred asset, it shall record its share in the asset and related liability in the amount of possible payment of corresponding amounts. If the Group retains all the principal risks and rewards of ownership of the transferred financial asset, it shall continue to account for the financial asset, and reflect a secured loan on income earned.

### **5.8 Financial liabilities and equity instruments issued by the Group**

#### **5.8.1. Accounting as liabilities or equity**

Debt and equity financial instruments are classified as liabilities or equity based on the substance of the corresponding contractual obligations.

#### **5.8.2. Equity instruments**

Equity instrument is any contract confirming the right for a share in the company's assets remaining after deduction of all its liabilities. Equity instruments issued by the Group are recorded in the amount of generated income net of direct expenses for their issue.

#### **5.8.3. Liabilities under financial guarantee contracts**

Liabilities under financial guarantee contracts are initially measured at fair value and subsequently recorded at the higher of:

- cost of contractual obligations determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", and
- cost, less, where applicable, accumulated depreciation reflected in accordance with the principles of revenue recognition set forth below.

#### **5.8.4. Financial liabilities**

##### **Financial liabilities - measurement categories**

Financial liabilities are classified as subsequently measured at amortized cost, except for (i) financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognized by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments. As of 31 March 2022 and 31 March 2022 the Group did not have financial guarantee contracts and loan commitments or financial liabilities at fair value through profit or loss.

##### **Financial liabilities - derecognition**

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash



flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

#### **5.8.5. Trade and other accounts payable**

Trade payables are recognized when the counterparty fulfills its contractual obligations and measured at amortized cost using the effective interest rate.

#### **5.8.6. Loans and borrowings**

Loans and borrowings are initially recognized at fair value less costs incurred in the transaction. Subsequently, loans and borrowings are stated at amortized cost; any difference between proceeds (net of transaction costs) and the amount of repayment is reflected in the income statement over the period for which loans and borrowings are issued using the effective interest rate method. Loans and borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the obligation to at least one year after the date of balance sheet preparation.

#### **5.8.7. Writing-off of financial liabilities**

The Group writes-off financial liabilities only when they are repaid, cancelled or expire.

#### **5.9 Foreign currency transactions**

Transactions in currencies other than the functional currency are initially recorded at exchange rates set on the dates of these transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates applicable at the reporting date. All realized and unrealized gains and losses resulting from exchange rate differences are included in profit or loss for the period.

#### **5.10 Biological assets**

Biological assets represented by the commercial herd and herd replacements are recorded at fair value less estimated selling and distribution expenses. Estimate of fair value of biological assets of the Group is based on discounted cash flow models, according to which the fair value of biological assets is calculated using present value of the expected net cash flows from biological assets discounted at the appropriate rate.

The Group recognizes a biological asset only where it controls an asset as a result of past events; it is probable that the economic benefits from the asset will flow to the Group; fair value or cost of an asset can be estimated with reasonable certainty.

Profit or loss arising on initial recognition of biological assets at fair value less estimated selling and distribution expenses is included in the consolidated income statement as incurred.

Agricultural products collected from a biological asset are measured at fair value less estimated selling and distribution expenses. Profit or loss arising on initial recognition of agricultural products at fair value, less estimated selling and distribution expenses, is recognized in the consolidated statement of comprehensive income.

#### **5.11 Inventories**

Inventories consist mainly of raw materials, package and packing materials, agricultural produce and finished goods. Inventories are valued at the lower of cost and net realisable value.

Cost of goods includes the cost of acquisition and, where appropriate, costs incurred in bringing inventories to their present condition and location. Cost is calculated using the weighted average method. Initial cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges, recognised in OCI, in respect to the purchases of raw materials.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### 5.12 Property, plant and equipment

Property, plant and equipment are recorded at historical cost or deemed cost, equal to fair value at the date of transition to IFRS, less accumulated depreciation and accumulated impairment losses. Historical cost of an asset of property, plant and equipment includes (a) the purchase price, including non-recoverable import duties and taxes net of trade and other discounts; (b) any costs directly related to bringing an asset to the location and condition, which allow its functioning in accordance with the intentions of the Group's management; (c) initial assessment of the costs of dismantling and removal in the asset of property, plant and equipment and restoring the occupied territory; this obligation is assumed by the Group either upon the acquisition of an asset, or as a result of its operation for a certain period of time for the purposes not related to the production of inventories during this period. Cost of assets created in-house includes cost of materials, direct labor costs and an appropriate proportion of production overheads.

Construction in progress includes costs directly related to the construction of property, plant and equipment, including distribution of variable overheads associated with the construction and prepayments for the property, plant and equipment. Construction in progress is not depreciated. These assets are depreciated from the moment when they are used in economic activity, on the same basis as depreciation on other assets.

Subsequently capitalised costs include major expenditures for improvements and replacements that extend the useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalisation are charged to the consolidated statement of comprehensive income as incurred.

Depreciable amount is the cost of an asset of property, plant and equipment, or any other amount, less its residual value. The residual value of an asset is the estimated amount that the company would receive to date from the sale of an item of property, plant and equipment, less estimated costs of disposal if the asset reached the age and condition, in which, presumably, it will be at the end of its useful life. Assets under finance lease are depreciated over the shorter of estimated useful life on the same basis as own assets or over the period of the relevant lease.

Depreciation is provided to write-off the depreciable amount over the useful life of an asset and is calculated using the straightline method. Useful lives of the groups of property, plant and equipment are as follows:

Buildings	10 - 40 years
Plant and equipment	5 - 25 years
Vehicles	3 - 10 years
Furniture and fittings	3 - 5 years
Construction in progress and uninstalled equipment	No depreciation

The residual value, useful life and depreciation method are reviewed at the end of each financial year. Impact of any changes arising from estimates made in prior periods is recorded as a change in an accounting estimate.

Gains or losses arising from disposal or liquidation of an asset of property, plant and equipment, are defined as the difference between sales proceeds and carrying amount of an asset and recognized in profit or loss.

### 5.13 Impairment of property, plant and equipment

At the end of each reporting period the Group identifies signs of possible impairment of assets. If any such indication exists, the Group reviews the carrying amount of its items of property, plant and equipment to determine whether any signs of impairment exist due to depreciation. If any such indication exists, the expected recoverable amount of an asset is estimated to determine the amount of impairment losses, if any.

In order to determine the impairment losses, assets are grouped at the lowest levels for which it is possible to identify separately the cash flows (cash generating unit).

The recoverable amount is the higher of 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.

If, according to the estimates, the recoverable amount of an asset (cash generating unit) is less than its 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 income statement, except when the asset is recorded at a revalued amount. In this case the impairment loss is considered as a revaluation decrease.

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. Reversal

of impairment loss is recognized immediately in the income statement, except when the asset is recorded at a revalued amount. In this case, the reversal of an impairment loss is considered as a revaluation increase.

#### **5.14 Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets are not capitalized and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Amortization is calculated on a straight line basis over the useful life of an asset, which is 10 years.

#### **5.15 Borrowing costs**

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

#### **5.16 Leases**

A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability. The depreciation would usually be on a straight-line basis. In the statement of cash flows, a lessee separates the total amount of cash paid into principal (presented within financing activities) and interest (presented within either operating or financing activities) in accordance with IAS 7.

Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes noncancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The initial lease asset equals the lease liability in most cases.

The lease asset is the right to use the underlying asset and is presented in the statement of financial position either as part of property, plant and equipment or as its own line item.

#### **5.17 Contingent assets and liabilities**

Contingent liabilities are not recognized in the consolidated financial statements. Such liabilities are disclosed in the notes to the consolidated financial statements, except where the probability of outflow of resources embodying economic benefits is insignificant.

Contingent assets are not recognized in the consolidated financial statements, but disclosed in the notes to the extent that it is probable that the economic benefits will flow to the Group.

#### **5.18 Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation amount.

The amount recognized as a provision is the best estimate of compensation necessary to repay a current liability on the reporting date, which takes into account all the risks and uncertainties inherent in this liability. In cases where the amount of provision is estimated using cash flows that can be required to repay current liabilities, its carrying amount represents the present value of these cash flows.

Where there is a possibility that one or all of the economic benefits necessary to recover the amount of provision will be reimbursed by a third party, the receivables are recognized as an asset if there is actual assurance that such reimbursement will be received and the amount of receivables can be measured reliably.

#### 5.19 Revenue recognition

Revenue is income arising in the course of the Group's ordinary activities. Revenue is recognized in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties.

Revenue is recognized net of discounts, returns and value added taxes, export duties, other similar mandatory payments.

Group's contracts with customers are fixed-price contracts and generally include both advance payment and deferred payment for the same contracts. Generally, the sales are made with a credit term of 30-60 days, which is consistent with the market practice and consequently trade receivables are classified as current assets.

A receivable is recognized when the goods are delivered or dispatched based on delivery terms as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due (Note 21).

Contract assets are immaterial and therefore not presented separately in the consolidated financial statements.

A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration from the customer.

#### The five-step model framework

The core principle of IFRS 15 is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when (or as) the entity satisfies a performance obligation.

Application of this guidance will depend on the facts and circumstances present in a contract with a customer and will require the exercise of judgment.

#### Step 1: Identify the contract with the customer

A contract with a customer exists when:

- the contract has been approved by the parties to the contract;
- each party's rights in relation to the goods or services to be transferred can be identified;
- the payment terms for the goods or services to be transferred can be identified;
- the contract has commercial substance; and
- it is probable that the consideration to which the entity is entitled to in exchange for the goods or services will be collected.

If a contract with a customer does not yet meet all of the above criteria, the Group continues as to re-assess the contract going forward to determine whether it subsequently meets the above criteria.

#### Step 2: Identify the performance obligations in the contract

At the inception of the contract, the Group assesses the goods or services that have been promised to the customer, and identifies as a performance obligation:

- a good or service (or bundle of goods or services) that is distinct;
- or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to
- the customer.

#### Step 3: Determine the transaction price

The transaction price is the amount to which the Group expects to be entitled in exchange for the transfer of goods and services. When making this determination, the Group considers past customary business practices.

**Step 4: Allocate the transaction price to the performance obligations in the contracts**

Where a contract has multiple performance obligations, the Group will allocate the transaction price to the performance obligations in the contract by reference to their relative standalone selling prices. If a standalone selling price is not directly observable, the Group will need to estimate it using an adjusted market assessment approach or the expected cost plus a margin approach.

**Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation**

Revenue is recognized as control is passed, either over time or at a point in time.

Control of an asset is defined as the ability to direct the use of and obtain substantially all of the remaining benefits from the asset. These include:

- using the asset to produce goods or provide services;
- using the asset to enhance the value of other assets;
- using the asset to settle liabilities or to reduce expenses;
- selling or exchanging the asset;
- pledging the asset to secure a loan; and
- holding the asset.

The benefits related to the asset are the potential cash flows that may be obtained directly or indirectly.

**5.20 Income tax**

Income tax is calculated in accordance with the requirements of the applicable legislation of Ukraine. Income tax is calculated on the basis of financial results for the year adjusted to items that are not included in taxable income or that cannot be attributed to gross expenses. It is calculated using tax rates effective at the reporting date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used to calculate taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recorded taking into account the degree of certainty in sufficient taxable income, which enables to realize temporary differences related to gross expenses.

Deferred tax is calculated at tax rates, which presumably will be applied during the sale of related assets or repayment of related liabilities.

Assets and liabilities on deferred income tax are offset when: a) the Group has a legally enforceable right to offset the recognized current income tax assets and liabilities; b) the Group intends either to perform settlement by offsetting counterclaims, or simultaneously sell the asset and settle the liability; c) deferred tax assets and liabilities relate to income taxes levied by the same taxation authority in each future period in which it is intended to repay or reimburse a significant amount of deferred tax liabilities and assets.

Deferred income tax is recognized in the income statement, except when it relates to items recognized directly in equity. In this case the deferred tax is also recognized in equity.

In 2022, Ukrainian corporate income tax was levied at a rate of 18% (2021: 18%).

Up to 01 January 2022 the majority of the Group companies that are involved in agricultural production (poultry farms and other entities engaged in agricultural production) belonged to single tax payers of the fourth group and were exempt from corporate income tax. In line with the provisions of the Law No 5600 "On Amendments to the Tax Code of Ukraine and some legislative acts of Ukraine to balance the budget revenues" adopted by the Parliament in Ukraine in December 2021, operating companies of the Group involved in poultry farming had to switch to the general taxation system and became CIT payers with the applicable tax rate of 18%.

**5.21 Value Added Tax**

For the three months ended 31 March 2022 and 2020, VAT was levied at two rates: 20% on Ukrainian domestic sales and imports of goods, works and services and 0% on export of goods and provision of works or services to be used outside Ukraine. In 2022 VAT rate remains at the same level.

VAT output equals the total amount of VAT collected within a reporting period, and arises on the earlier of the date of shipping goods to the customer or the date of receiving payment from the customer. VAT input is the amount that a taxpayer is entitled to offset against his VAT liability in the reporting period. According to Ukrainian legislation, rights to VAT input arise on the earlier of the date of payment to the supplier or the date goods are received.

**5.22 Government grants**

Government grants are stated at fair value when there is reasonable assurance that the grant will be received. Ukrainian legislation

provides a variety of tax benefits and subsidies for agricultural companies. Such benefits and subsidies are approved by the Supreme Council of Ukraine, the Ministry of Agrarian Policy, Ministry of Finance, local authorities

Government grants are recognised as income over the periods necessary to match them with the related costs, or as an offset against finance costs when received as compensation for the finance costs for agricultural producers. To the extent the conditions attached to the grants are not met at the reporting date, the received funds are recorded in the Group's consolidated financial statements as deferred income.

Other government grants are recognised at the moment when the decision to disburse the amounts to the Group is made.

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

### 5.23 Partial compensation of interest rates on loans raised by the agricultural companies from financial institutions

The Group companies are entitled to compensation from the government of a share of interest expenses incurred on loans which were received for agricultural purposes. The amount of interest compensation depends on the term and purpose of the loan. Due to the fact that the payment of interest compensations depends on the capabilities of the country's budget, they are recognized on a cash basis as other operating income in the period of receipt.

### 5.24 Related party transactions

For the purposes of these consolidated financial statements, the parties are considered to be related if one of the parties has a possibility to control or considerably influence the operational and financial decisions of the other company. While considering any relation which can be defined as related party transactions it is necessary to take into consideration the substance of the transaction not only their legal form.

### 5.25 Reclassification

Certain comparative information presented in the consolidated financial statements for the three months ended 31 March 2022 has been revised in order to achieve comparability with the presentation used in the consolidated financial statements for the three months ended 31 March 2022. Such reclassifications and revisions were not significant to the Group's consolidated financial statements.

## 6. NEW AND AMENDED STANDARDS

The table below provides a summary of the pronouncements which will be mandatorily applied by entities for the first time at 31 March 2022, for various quarterly reporting periods:

#### New or revised pronouncement

##### IFRS 17 Insurance Contracts

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2023.

**Issued:** 18 May 2017

Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)

Amends IFRS 4 Insurance Contracts provide two options for entities that issue insurance contracts within the scope of IFRS 4:

an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach; an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

**Issued:** 12 September 2016

#### When effective

Applicable to annual reporting periods beginning on or after 1 January 2023. Endorsed for use in the EU, albeit with an optional exemption from applying the annual cohort requirement.

Overlay approach to be applied when IFRS 9 is first applied. Deferral approach effective for annual periods beginning on or after 1 January 2018 and only available for five years after that date.

**New or revised pronouncement**

**When effective**

***Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)***

Annual reporting periods beginning on or after 1 January 2023  
Not yet endorsed for use in the EU.

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

**Issued:** 23 January 2020

***Reference to the Conceptual Framework (Amendments to IFRS 3)***

Annual reporting periods beginning on or after 1 January 2022

The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.

**Issued:** 14 May 2020

***Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)***

Annual reporting periods beginning on or after 1 January 2022

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

**Issued:** 14 May 2020

***Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)***

Annual reporting periods beginning on or after 1 January 2022

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

**Issued:** 14 May 2020

***Annual Improvements to IFRS Standards 2018–2020***

Annual reporting periods beginning on or after 1 January 2022

Makes amendments to the following standards:

**IFRS 1** – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to IFRSs.

**IFRS 9** – The amendment clarifies which fees an entity includes when it applies the ‘10 per cent’ test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

**IFRS 16** – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

**IAS 41** – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

**Issued:** 14 May 2020

***Amendments to IFRS 17***

Annual reporting periods beginning on or after 1 January 2023

Amends IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 *Insurance Contracts* was published in 2017. The main changes are:

Deferral of the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023

Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk

Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognised in a business acquired in a business combination

Clarification of the application of IFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level

Clarification of the application of contractual service margin (CSM) attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements

Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives

Amendments to require an entity that at initial recognition recognises losses on onerous insurance contracts issued to also recognise a gain on reinsurance contracts held

Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts

Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach

**Issued:** 25 June 2020

*Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)*

Immediately available.

The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 *Insurance Contracts* from applying IFRS 9 *Financial Instruments*, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.

**Issued:** 25 June 2020

*Classification of Liabilities as Current or Non-current — Deferral of Effective Date (Amendment to IAS 1)*

Immediately available. Not yet endorsed for use in the EU.

The amendment defers the effective date of the January 2020 amendments by one year, so that entities would be required to apply the amendment for annual periods beginning on or after 1 January 2023.

**Issued:** 15 July 2020

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

Annual reporting periods beginning on or after 1 January 2021

The amendments in *Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)* introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

**Issued:** 27 August 2020



***Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)***

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

**Issued:** 12 February 2021

***Definition of Accounting Estimates (Amendments to IAS 8)***

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

**Issued:** 12 February 2021

***Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)***

The amendment extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

**Issued:** 31 March 2021

***Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)***

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

**Issued:** 7 May 2021

***Initial Application of IFRS 17 and IFRS 9 — Comparative Information (Amendment to IFRS 17)***

The amendment permits entities that first apply IFRS 17 and IFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before.

**Issued:** 9 December 2021

Annual reporting periods beginning on or after 1 January 2023

Endorsed for use in the EU, however, as practice statements are not endorsed for application in the European Union, the amendments to IFRS Practice Statement 2 have not been endorsed.

Annual reporting periods beginning on or after 1 January 2023

Annual reporting periods beginning on or after 1 April 2021

Annual reporting periods beginning on or after 1 January 2023. Not yet endorsed for use in the EU.

An entity that elects to apply the amendment applies it when it first applies IFRS 17. Not yet endorsed for use in the EU.

**7. SUBSIDIARIES AND NON-CONTROLLING INTERESTS**

As at 31 March 2022 and 2021 the Group included the following subsidiaries:

<b>Name of the company</b>	<b>Business activities</b>	<b>31 March 2022</b>	<b>31 December 2021</b>	<b>31 March 2021</b>
Limited Liability Company "Ovostar Union"	Strategic management of subsidiary companies in Ukraine	100,0%	100,0%	100,0%
Limited Liability Company "Ovostar"	Egg-products production and distribution (Ukraine)	100,0%	100,0%	100,0%
Limited Liability Company "Yasensvit"	Breeder farms, production of hatching eggs, farms for growing young laying flock and for laying flock, production and distribution of shell eggs, poultry feed production (Ukraine)	100,0%	100,0%	100,0%
Private joint stock company «Poultry farm «Ukraine»	Production of shell eggs, assets holding (Ukraine)	92,0%	92,0%	92,0%
PRIVATE JOINT STOCK COMPANY «MALINOVE»	Production of shell eggs (Ukraine)	94,0%	94,0%	94,0%
Public Joint Stock Company "Krushynskyy Poultry Complex"	Trading company, egg trading – non operational activity (Ukraine)	76,0%	76,0%	76,0%
Limited Liability Company "Skybynsky Fodder Plant"	Feed mix production. In the process of liquidation (Ukraine)	98,6%	98,6%	98,6%
SIA "Ovostar Europe"	Trade company (Latvia)	89,0%	89,0%	89,0%
SIA "Gallusman"	Trade company (Latvia)	89,0%	89,0%	89,0%
SIA "EPEX"	Trade company (Latvia)	89,0%	89,0%	89,0%
International Food Trade Limited	Trade company (British Virgin Islands)	100,0%	100,0%	100,0%
OAE Food Trade FZE	Trade company (United Arab Emirates)	100,0%	100,0%	100,0%
*REMEDIIUM FOODS B.V.	Egg processing, distribution of egg products	50,0%	50,0%	50,0%

The following tables summarize the information relating to each of the Group's subsidiaries that has material NCI, before any intragroup elimination:

31 March 2022	PJSC "Poultry Farm Ukraine"	PJSC "Malynove"	PJSC "Krushynskyy Poultry Complex"	"SIA" Ovostar Europe"	SIA "Gallusman"	SIA "EPEX"	Total
<b>NCI percentage</b>	<b>8,47%</b>	<b>5,69%</b>	<b>23,64%</b>	<b>11,00%</b>	<b>11,00%</b>	<b>11,00%</b>	
Non-current assets	566	13 344	2	5	1	60	
Current assets	5 358	11 432	505	4 998	402	246	
Non current liabilities	-	-	(1)	-	-	-	
Current liabilities	(3 121)	(20 629)	(6)	(4 916)	(7)	(291)	
Net assets	2 802	4 147	500	87	396	16	
<b>Carrying amount of NCI</b>	<b>237</b>	<b>236</b>	<b>118</b>	<b>10</b>	<b>44</b>	<b>2</b>	<b>647</b>
Revenue	236	1 349	-	4 368	-	92	
Net Income	1 439	(1 036)	436	(73)	394	5	
OCI	(207)	(29)	(36)	(33)	(2)	(0)	
<b>Total comprehensive income</b>	<b>1 232</b>	<b>(1 065)</b>	<b>400</b>	<b>(105)</b>	<b>392</b>	<b>5</b>	
<b>Profit allocated to NCI</b>	<b>122</b>	<b>(59)</b>	<b>103</b>	<b>(8)</b>	<b>43</b>	<b>1</b>	<b>202</b>
<b>OCI allocated to NCI</b>	<b>(18)</b>	<b>(2)</b>	<b>(9)</b>	<b>(4)</b>	<b>(0)</b>	<b>(0)</b>	<b>(32)</b>
Cash flows from operating activities	(1)	18	0	468	(12)	1	-
Cash flows from investment activities	-	(18)	-	(2)	-	-	-
Cash flows from financing activities (dividend to NCI: nil)	-	-	-	-	-	-	-
Effect from translation into presentation currency	(0)	(0)	(0)	(11)	(0)	-	-
Net (decrease)/ increase in cash and cash equivalents	(1)	-	-	456	(12)	1	-

31 March 2021	PJSC "Poultry Farm Ukraine"	PJSC "Malynove"	PJSC "Krushynskyy Poultry Complex"	"SIA" Ovostar Europe"	SIA "Gallusman"	SIA "EPEX"	Total
NCI percentage	<b>8,00%</b>	<b>6,00%</b>	<b>24,00%</b>	<b>11,00%</b>	<b>11,00%</b>	<b>11,00%</b>	
Non-current assets	522	19 913	0	9	353	57	
Current assets	4 257	6 126	540	5 022	215	183	
Non-current liabilities	-	-	-	-	-	-	
Current liabilities	(1 175)	(20 773)	(6)	(5 518)	(173)	(231)	
Rounding	-	-	-	-	-	-	
Net assets	3 604	5 266	534	(488)	395	9	
<b>Carrying amount of NCI</b>	<b>288</b>	<b>316</b>	<b>128</b>	<b>(54)</b>	<b>43</b>	<b>1</b>	<b>723</b>
Revenue	475	3 534	-	7 622	-	152	
Net Income	(51)	(143)	(1)	42	4	19	
OCI	50	74	7	24	(19)	0	
<b>Total comprehensive income</b>	<b>(1)</b>	<b>(69)</b>	<b>6</b>	<b>66</b>	<b>(15)</b>	<b>19</b>	
<b>Profit allocated to NCI</b>	<b>(4)</b>	<b>(9)</b>	<b>(0)</b>	<b>5</b>	<b>0</b>	<b>2</b>	<b>(6)</b>
<b>OCI allocated to NCI</b>	<b>4</b>	<b>4</b>	<b>2</b>	<b>3</b>	<b>(2)</b>	<b>0</b>	<b>11</b>
Cash flows from operating activities	1	1	(0)	(204)	(47)	-	-
Cash flows from investment activities	-	-	-	(2)	-	-	-
Cash flows from financing activities (dividend to NCI: nil)	-	-	-	-	-	-	-
Effect from translation into presentation currency	0	0	0	(10)	(1)	-	-
Net (decrease)/ increase in cash and cash equivalents	1	1	(0)	(216)	(49)	-	-

## 8. SEGMENT INFORMATION

All of the Group's operations are located within Ukraine.

Segment information is analyzed on the basis of the types of goods supplied by the Group's operating divisions. The Group's reportable segments under IFRS 8 are therefore as follows:

Egg operations segment	sales of egg
	sales of chicken meat
Egg products operations segment	sales of egg processing products

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 5. Sales between segments are mainly carried out at market prices. Operating profit before tax represents segment result. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable segments.
- All liabilities are allocated to reportable segments.

The following table presents revenue, results of operations and certain assets and liabilities information regarding segments for the three months 31 March 2022 and 2021 the Group included the following subsidiaries:

3 months ended 31 March 2022 (unaudited)	Operations segment		Consolidated
	Egg	Egg products	
Revenue from contracts with customers	31 538	9 992	41 530
Inter-segment revenue	(10 666)	(3 156)	(13 822)
Revenue from external buyers	20 872	6 836	27 708
<b>Profit before tax</b>	<b>(17 081)</b>	<b>638</b>	<b>(16 443)</b>

3 months ended 31 March 2021 (unaudited)	Operations segment		Consolidated
	Egg	Egg products	
Revenue from contracts with customers	41 955	11 168	53 123
Inter-segment revenue	(17 710)	(3 247)	(20 957)
Revenue from external buyers	24 245	7 921	32 166
<b>Profit before tax</b>	<b>4 588</b>	<b>137</b>	<b>4 725</b>

For the three months 31 March 2022 and 2021 no sales were settled by barter transactions.

Segment assets, liabilities and other information regarding segments as at 31 March 2022 and 2021 were presented as follows:

31 March 2022 (unaudited)	Operations segment		Consolidated
	Egg	Egg products	
<b>Total segment assets</b>	<b>100 682</b>	<b>14 619</b>	<b>115 301</b>
<b>Total segment liabilities</b>	<b>28 654</b>	<b>623</b>	<b>29 277</b>
Addition to property, plant and equipment and intangible assets	398	153	551
Net change in fair value of biological assets and agricultural produce	(17 480)	-	(17 480)
Depreciation and amortization	(904)	(134)	(1 038)
Interest income	6	3	9
Interest on debts and borrowings	(77)		(77)
Income tax expense			

31 December 2021 (unaudited)	Operations segment		Consolidated
	Egg	Egg products	
<b>Total segment assets</b>	<b>124 726</b>	<b>16 408</b>	<b>141 134</b>
<b>Total segment liabilities</b>	<b>31 447</b>	<b>382</b>	<b>31 829</b>

31 March 2021 (audited)	Operations segment		Consolidated
	Egg	Egg products	
<b>Total segment assets</b>	<b>119 127</b>	<b>16 721</b>	<b>135 848</b>
<b>Total segment liabilities</b>	<b>24 665</b>	<b>587</b>	<b>25 252</b>
Addition to property, plant and equipment and intangible assets	48	25	73
Net change in fair value of biological assets and agricultural produce	(134)		(134)
Depreciation and amortization	(939)	(103)	(1 042)
Interest income	4	2	6
Interest on debts and borrowings	(55)		(55)
Income tax expense	(7)	(3)	(10)

The Group presented disaggregated revenue based on the type of goods or services provided to customers and the geographical region of goods and services. Entities will need to make this determination based on entity-specific and/or industry-specific factors that would be most meaningful to their business.

The Group presented a reconciliation of the disaggregated revenue with the revenue information disclosed for each reportable segment.

Set out below is the disaggregation of the Group's revenue from contracts with customers:

3 months months ended 31 March 2022 (unaudited)	Operations segment		Consolidated
	Egg	Egg products	
<b>Type of goods or service</b>			
Goods	20 864	6 826	27 690
Services	9	9	18
<b>Total revenue from contracts with customers</b>	<b>20 873</b>	<b>6 835</b>	<b>27 708</b>
<b>Geographical markets</b>			
Ukraine	18 080	3 931	22 011
Export market	2 793	2 904	5 697
<b>Total revenue from contracts with customers</b>	<b>20 873</b>	<b>6 835</b>	<b>27 708</b>

3 months months ended 31 March 2021 (unaudited)	Operations segment		Consolidated
	Egg	Egg products	
<b>Type of goods or service</b>			
Goods	24 237	7 915	32 152
Services	8	6	14
<b>Total revenue from contracts with customers</b>	<b>24 245</b>	<b>7 921</b>	<b>32 166</b>
<b>Geographical markets</b>			
Ukraine	18 859	4 541	23 400
Export market	5 386	3 380	8 766
<b>Total revenue from contracts with customers</b>	<b>24 245</b>	<b>7 921</b>	<b>32 166</b>

#### 9. COST OF SALES

	3 months ended 31 March 2022 (unaudited)	3 months ended 31 March 2021 (unaudited)
Amortisation, depreciation and impairment	(958)	(960)
Costs of inventories recognised as an expense	(17 981)	(19 946)
Other expenses	(480)	(408)
Packaging costs	(2 279)	(1 990)
Wages, salaries and social security costs	(1 914)	(1 822)
<b>Total</b>	<b>(23 612)</b>	<b>(25 127)</b>

#### 10. SELLING AND DISTRIBUTION COSTS

	3 months ended 31 March 2022 (unaudited)	3 months ended 31 March 2021 (unaudited)
Amortisation, depreciation and impairment	(24)	(17)
Cost of materials	(229)	(179)
Marketing and advertising expenses	(128)	(15)
Other expenses	(116)	(145)
Transportation expenses	(933)	(1 129)
Wages, salaries and social security costs	(513)	(272)
<b>Total</b>	<b>(1 943)</b>	<b>(1 757)</b>

**11. GENERAL ADMINISTRATIVE EXPENSES**

	3 months ended 31 March 2022 <i>(unaudited)</i>	3 months ended 31 March 2021 <i>(unaudited)</i>
Amortisation, depreciation and impairment	(56)	(65)
Cost of materials	(51)	(39)
Legal, audit and other professional fees	(66)	(84)
Other expenses	(34)	(67)
Service charge expenses	(114)	(206)
Wages, salaries and social security costs	(378)	(346)
<b>Total</b>	<b>(699)</b>	<b>(807)</b>

**12. OTHER OPERATING INCOME**

	3 months ended 31 March 2022 <i>(unaudited)</i>	3 months ended 31 March 2021 <i>(unaudited)</i>
<b>Income from refund under the special legislation:</b>		
Government subsidies	a) 68	69
<b>Total income from refund under the special legislation</b>	<b>68</b>	<b>69</b>
Gain on recovery of assets previously written off	15	4
Insurance compensation	-	6
Result of disposal of other current assets	314	-
Other income	37	32
<b>Total</b>	<b>434</b>	<b>111</b>

Recovery of assets previously written-off mainly represents amounts of inventory surplus identified in the reporting period during the stock-taking and recovery of amounts previously recognized as doubtful.

**a) Government subsidies**

Government grants are presented in the statement of the financial position as deferred income, which is recognised in profit or loss on a systematic basis over the useful life of the related assets. The unamortized portion of the government subsidies as of 31 March 2022 is USD 2 779 thousand (31 March 2021: USD 3 192 thousand).

**13. OTHER OPERATING EXPENSES**

	3 months ended 31 March 2022 <i>(unaudited)</i>	3 months ended 31 March 2021 <i>(unaudited)</i>
Writing off fixed assets	-	(12)
Impairment of doubtful accounts receivable and prepayments to suppliers	(43)	(58)
Loss on disposal of property plant and equipment	(8)	(1)
Fines and penalties	(41)	(1)
Other expenses	-	(6)
<b>Total</b>	<b>(92)</b>	<b>(78)</b>

14. AMORTIZATION AND DEPRECIATION EXPENSES

	3 months ended 31 March 2022 (unaudited)	3 months ended 31 March 2021 (unaudited)
Depreciation and amortisation:		
Cost of sales	(958)	(960)
Selling and distribution costs	(24)	(17)
Administrative expenses	(56)	(65)
<b>Total</b>	<b>(1 038)</b>	<b>(1 042)</b>

15. EMPLOYEES BENEFITS EXPENSES

	3 months ended 31 March 2022 (unaudited)	3 months ended 31 March 2021 (unaudited)
Wages, salaries and social security:	-	-
Costs of production personnel	(1 914)	(1 822)
Costs of distribution personnel	(513)	(272)
Costs of administrative personnel	(378)	(346)
<b>Total</b>	<b>(2 805)</b>	<b>(2 441)</b>

16. INCOME TAX

Up to 01 January 2022 the majority of the Group companies that are involved in agricultural production (poultry farms and other entities engaged in agricultural production) belonged to single tax payers of the fourth group and were exempt from corporate income tax. In line with the provisions of the Law No 5600 "On Amendments to the Tax Code of Ukraine and some legislative acts of Ukraine to balance the budget revenues" adopted by the Parliament in Ukraine in December 2021, operating companies of the Group involved in poultry farming had to switch to the general taxation system and became CIT payers with the applicable tax rate of 18%.

17. BIOLOGICAL ASSETS

As at 31 March 2022, 31 December 2021 and 31 March 2021 commercial and replacement poultry were presented as follows:

	31 March 2022		31 December 2021		31 March 2021	
	Number, thous. heads	Carrying value	Number, thous. heads	Carrying value	Number, thous. heads	Carrying value
<b>Non-current biological assets</b>						
Hy-line	2 723	26 833	4 260	45 079	4 162	41 574
<b>Total non-current biological assets</b>	<b>2 723</b>	<b>26 833</b>	<b>4 260</b>	<b>45 079</b>	<b>4 162</b>	<b>41 574</b>
<b>Current biological assets</b>						
Hy-line	4 553	14 775	4 111	15 459	3 922	14 336
<b>Total current biological assets</b>	<b>4 553</b>	<b>14 775</b>	<b>4 111</b>	<b>15 459</b>	<b>3 922</b>	<b>14 336</b>
<b>Total biological assets</b>	<b>7 276</b>	<b>41 608</b>	<b>8 371</b>	<b>60 538</b>	<b>8 084</b>	<b>55 910</b>



Classification of biological assets into non-current and current component is based on the life cycle of a biological asset. Biological assets that will generate cash flow more than one year are classified as non-current biological assets, biological assets that will generate cash flow less than one year are classified as current biological assets.

Reconciliation of commercial and replacement poultry carrying values for the three months ended 31 March 2022 and 2021 was presented as follows:

	3 months ended 31 March 2022 (unaudited)	3 months ended 31 March 2021 (unaudited)
<b>As at 01 January (unaudited)</b>	<b>60 538</b>	<b>51 372</b>
Increase in value as a result of assets acquisition	-	-
Increase in value as a result of capitalization of cost	3 329	4 473
Income/(Losses) from presentation of biological assets at fair value	(17 480)	(134)
Decrease in value as a result of assets disposal	(1 051)	(529)
Exchange differences	(3 727)	728
<b>As at 31 March (unaudited)</b>	<b>41 608</b>	<b>55 910</b>

For the three months ended 31 March 2022 the Group produced shell eggs in the quantity of 370,76 million items (31 March 2021: 410,87 million).

Fair value of biological assets was estimated by the Group's specialists which have experience in valuation of such assets. Fair value was calculated by discounting of expected net cash flow (in nominal measuring) at the moment of eggs produced, using corresponding discount rate which is equal to 16,91% (31 March 2021: 16.00%). Management supposes that sale price and production and distribution costs fluctuations will comply with forecasted index of consumer price in Ukraine. The major assumptions were performed on the basis of internal and external information and it reflected Management's assessment of the future agricultural prospect.

Biological assets of the Group are measured at fair value within Level 3 of the fair value hierarchy.

Value measurement is a maximum value exposed to the following assumptions which were used in fair value calculations of biological assets:

	Assumption as at 31 March 2022 (unaudited)	Assumption as at 31 March 2021 (unaudited)
Eggs sale price, USD per item (UAH per item)	0,084 (2,47)	0,072 (2,02)
Discount rate, %	16,91%	14,00%
Long-term inflation rate of Ukrainian hryvnya, %	1,08	1,05
Maximum poultry life time, days	770	770

Based on the current situation in Ukraine that provides a high degree of uncertainty in relation to many of the assumptions in the biological assets revaluation model, and guided by the prudence concept, the Group used conservative approach for calculation of fair value of biological assets as at 31 March 2022

## 18. PROPERTY, PLANT AND EQUIPMENT

During the three months ended 31 March 2022, the Group's additions to property, plant and equipment amounted to USD 580 thousand (31 March 2021: USD 90 thousand).

As at 31 March 2022, included within property, plant and equipment were fully depreciated assets with the original cost of USD 5 113 thousand (2021: USD 3 838 thousand).

### Impairment assessment

The Group reviews its property, plant and equipment each period to determine if any indication of impairment exists. Based on these reviews, there were no indicators of impairment as of 31 March 2022 and 31 March 2021.

**19. INVENTORIES**

	31 March 2022 <i>(unaudited)</i>	31 December 2021 <i>(unaudited)</i>	31 March 2021 <i>(unaudited)</i>
Raw materials	6 172	5 504	4 428
Work in progress	1 939	1 343	1 046
Other inventories	1 152	1 534	1 303
impairment of agricultural produce and finished goods	(18)	(19)	(19)
<b>Total</b>	<b>17 271</b>	<b>13 023</b>	<b>13 731</b>

**20. TRADE AND OTHER RECEIVABLES**

	31 March 2022 <i>(unaudited)</i>	31 December 2021 <i>(unaudited)</i>	31 March 2021 <i>(unaudited)</i>
Trade receivables	8 135	13 552	12 453
VAT for reimbursement	1 936	1 724	2 487
Other accounts receivable	464	345	769
Credit loss allowance	(140)	(150)	(259)
<b>Total</b>	<b>10 395</b>	<b>15 471</b>	<b>15 450</b>

**21. CASH AND CASH EQUIVALENTS**

	31 March 2022 <i>(unaudited)</i>	31 December 2021 <i>(unaudited)</i>	31 March 2021 <i>(unaudited)</i>
Cash in banks	3 173	2 419	1 483
Cash on hand	13	15	15
<b>Total</b>	<b>3 186</b>	<b>2 434</b>	<b>1 498</b>

Cash in banks by country of bank location denominated in the following currencies:

	Currency	31 March 2022 <i>(unaudited)</i>	31 December 2021 <i>(unaudited)</i>	31 March 2021 <i>(unaudited)</i>
Ukraine	UAH	793	1 429	474
Ukraine	USD	866	83	149
Ukraine	EUR	90	447	340
<b>Total in Ukraine</b>		<b>1 749</b>	<b>1 958</b>	<b>963</b>
Cyprus	EUR	74	0	0
<b>Total in Cyprus</b>		<b>74</b>	<b>0</b>	<b>0</b>
Latvia	USD	236	107	4
Latvia	EUR	452	135	161
<b>Total in Latvia</b>		<b>688</b>	<b>242</b>	<b>165</b>
United Kingdom	USD	304	1	162
United Kingdom	EUR	40	7	11
<b>Total in United Kingdom</b>		<b>344</b>	<b>9</b>	<b>173</b>
United Arab Emirates	AED	100	53	23
United Arab Emirates	USD	218	155	71
United Arab Emirates	EUR	1	1	88
<b>Total in United Arab Emirates</b>		<b>319</b>	<b>209</b>	<b>182</b>
<b>Total cash in banks</b>		<b>3 173</b>	<b>2 419</b>	<b>1 483</b>

## 22. EQUITY

### Issued capital and capital distribution

For the three months ended 31 March 2022 there were no changes in issued capital.

As referred to in Note 1, the Company was incorporated on 22 March 2011. The Company's authorized share capital amounts to EUR 225 000 and consists of 22 500 000 ordinary shares with a nominal value off EUR 0.01 each. As at 31 December 2011, 6 000 000 ordinary shares were issued and fully paid. In June 2011 the shares of the Company were listed on the Warsaw Stock Exchange.

As at 31 March 2022, 2021 and 31 December 2021 the shareholder interest above 5% in the Share capital of the Company was as follows:

	31 March 2022 (unaudited)	31 December 2021 (unaudited)	31 March 2021 (unaudited)
Prime One Capital Ltd	67,93%	67,93%	67,93%
Generali Otwarty Fundusz Emerytalny	10,93%	10,93%	10,93%
FAIRFAX FINANCIAL Holdings Limited	10,39%	5,35%	5,35%
AVIVA Otwarty Fundusz Emerytalny Aviva BZ WBK	5,02%	5,02%	5,02%

### Foreign currency translation reserve

The Company's share capital has been converted at the exchange rate prevailing at the reporting date. The EUR 60 000 (equivalent to 6 000 000 shares) as of 31 March 2022, has been converted into USD 66 831 (31 March 2021: USD 70 162). The result arising from exchange rate differences has been recorded in the "Foreign currency translation reserve".

The foreign currency translation reserve is used also to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

### Share premium

As has been mentioned previously, in June 2011 the Group's shares have been placed on WSE. As a result of the transaction, USD 33 048 thousand was raised while the IPO costs amounted to USD 2 115 thousand. In these financial statements funds raised as a result of IPO are reflected in share premium as at 31 December 2011. For the year ended 31 March 2022 and 2020, there were no movements in share premium.

## 23. INTEREST-BEARING LOANS AND OTHER FINANCIAL LIABILITIES

	Currency	Effective interest rate, %	Maturity	31 March 2022	31 December 2021	31 March 2021
<b>Current interest-bearing loans and other financial liabilities</b>						
AKA Ausfuhrkredit-Gesellschaft mbH	EUR	2.25%+ EURIBOR (6m)	30.06.2022	595	607	2 459
UkrSibbank	EUR	2,65%	17.08.2022	2 737	2 780	2 878
UkrSibbank	UAH	10,00%	18.05.2022	1 047	-	-
Other current loans	UAH	-	-	-	-	24
Prime One Capital Limited	EUR	3,00%	10.07.2021	-	-	-
OTP Bank	EUR	3,00%	02.10.2025	1 768	-	-
<b>Total current interest-bearing loans and other financial liabilities</b>				<b>6 146</b>	<b>3 387</b>	<b>5 361</b>
<b>Non-current interest-bearing loans and other financial liabilities</b>						
OTP Bank	EUR	3,00%	02.10.2025	4 824	7 142	2 582
Prime One Capital Limited	EUR	3,00%	10.07.2024	-	2 353	2 361
<b>Total non-current interest-bearing loans and other financial liabilities</b>				<b>4 824</b>	<b>9 494</b>	<b>4 943</b>
<b>Total interest-bearing loans and other financial liabilities</b>				<b>10 970</b>	<b>12 881</b>	<b>10 304</b>

The Interest-bearing loan from AKA Ausfuhrkredit-Gesellschaft mbH is covered of Euler Hermes AG.

### Covenants

The Group's loan agreements contain a number of covenants and restrictions, which include, but are not limited to, financial ratios and other legal matters. Covenant breaches generally permit lenders to demand accelerated repayment of principal and interest.

As at 31 March 2022 and 2021 the Group was not in breach of any financial covenants which allow lenders to demand immediate repayment of loans, with the exception of Debt/EBITDA ratio, which as of 31 March 2022 exceeds maximal value of 2.5, stipulated by the loan agreement with OTP bank.

Reconciliation of liabilities arising from financing activities. The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes.

Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities:

	31 December 2021	Financing cash flow payment	Financing cash flow received	Increase/decrease (as a result of accruals and other)	Exchange differences	31 March 2022
Interest-bearing loans	12 791	(2 799)	1 047		(43)	10 995
Interest expenses	90	(90)		(25)		(25)
Other current loans						
<b>Total</b>	<b>12 881</b>	<b>(2 890)</b>	<b>1 047</b>	<b>(25)</b>	<b>(43)</b>	<b>10 970</b>

	31 December 2020	Financing cash flow payment	Financing cash flow received	Increase (as a result of accruals and other)	Exchange differences	31 March 2021
Interest-bearing loans	10 777	-	-	-	(466)	10 311
Interest expenses	(40)	(40)	-	55	(6)	(31)
Other borrowings	28	-	-	-	(4)	24
<b>Total</b>	<b>10 765</b>	<b>(40)</b>	<b>-</b>	<b>55</b>	<b>(476)</b>	<b>10 304</b>

### 24. TRADE AND OTHER PAYABLES

	31 March 2022 (unaudited)	31 December 2021 (unaudited)	31 March 2021 (unaudited)
Trade payables	12 591	12 373	8 630
Employee benefit liability	487	600	568
Liability for unused vacation	805	863	808
Taxes payable	213	257	247
VAT liabilities	78	156	137
Income tax payable	-	-	22
Other payables	334	98	501
<b>Total</b>	<b>14 508</b>	<b>14 347</b>	<b>10 913</b>

### 25. RELATED PARTY DISCLOSURES

For the purposes of these consolidated financial statements, the parties are considered to be related, if one of the parties has the ability to exercise control over the other party or influence significantly the other party in making financial and operating decisions. Considering the transactions with each possible related party, particular attention is paid to the essence of relationships, not merely their legal form.

Related parties may enter into transactions, which may not always be available to unrelated parties, and they may be subject to such conditions and such amounts that are impossible in transactions with unrelated parties.

According to the criteria mentioned above, related parties of the Group are divided into the following categories:

(A). Key management personnel;

(B). Companies which activities are significantly influenced by the Beneficial Owners;

(C). Other related parties.

The following companies and individuals are considered to be the Group's related parties as at 31 March 2022 and 2020:

**(A). Key management personnel**

**Key management personnel 2022:**

Borys Bielikov	Executive Director / CEO
Vitalii Veresenko	Non-executive director
Markiyan Markevich	Non-executive director
Vitalii Sapozhnik	Chief Financial Officer
Arnis Veinbergs	Deputy CEO in charge of Production activity
Karen Arshakyan	Non-executive director
Yuliya Flyorova	Production director

**Position:**

**Key management personnel 2021:**

Borys Bielikov	Executive Director / CEO
Vitalii Veresenko	Non-executive director
Sergii Karpenko	Non-executive director
Vitalii Sapozhnik	Chief Financial Officer
Arnis Veinbergs	Deputy CEO in charge of Production activity
Karen Arshakyan	Non-executive director
Yuliya Flyorova	Production director

**Position:**

**(B). Companies which activities are significantly influenced by the Key management personnel**

Aleksa LTD LLC 2022/2021

**(C). Other related parties:**

For the three months ended 31 March 2022, 2021 the Group has no other related parties.

**26. COMMITMENTS AND CONTINGENCIES**

As of 31 March 2022, 2021 there were no commitments and contingencies.

**27. OPERATING ENVIRONMENT**

**Legislation and Taxation**

The changes in legislation in 2022 have mainly been driven by the Russian invasion in Ukraine and consequent imposition of martial law. Below is a summary of legislative provisions affecting the Group.

On 15 March 2022, the Verkhovna Rada of Ukraine adopted the Law of Ukraine "On amendments to the Tax Code of Ukraine and other legislative acts of Ukraine concerning the effect of regulations for the period of martial law" № 2120-IX.

It provides for significant changes related to the application of the simplified tax regime, taxation of excisable goods, charitable assistance, other changes to tax legislation, as well as to civil, banking legislation, and other laws.

This law entered into force on 17 March 2022. Unless stated otherwise, all the following amendments are valid for the period of martial law in Ukraine until its termination or abolition in the manner prescribed by law.

## TAX LEGISLATION

### Single tax

Legal entities of any organizational and legal form and private entrepreneurs can become payers of the single tax of the third group if during the year their income does not exceed UAH 10 billion. Key details of the updated regime:

- (a) rate – 2% of income;
- (b) VAT on supply of goods and services within the customs territory of Ukraine does not apply;
- (c) limitation of the number of employees shall not apply.

Certain taxpayers can not benefit from the new regime, including

- (i) companies engaged in the production, export, import, sale of excisable goods; mining, sale of minerals;
- (ii) banks, credit unions, pawnshops, leasing companies, insurance companies, investment funds and companies, other financial institutions;
- (iii) non-resident individuals and legal persons and some other taxpayers.

The Cabinet of Ministers of Ukraine may determine the procedure for payment of the unified tax.

### VAT

It is allowed to recognize VAT credit on the basis of primary documents for the purchase of goods/services where tax invoices have not been registered (subject to their registration within 6 months after the termination of martial law).

### Corporate income tax

The following shall not constitute a violation of activities of non-profit organizations: transfer of property, provision of services, use of income to finance expenditures if such services are provided and funds are transferred to government agencies for the defense of Ukraine, and/or funds are transferred to special accounts opened by the NBU to raise funds.

### Land tax

From March 2022 to December 31 of the year following the year in which the martial law will be terminated, no land tax and land lease (for land plots of state and communal property) shall be paid for lands and shares located on the following territories:

- (a) on which combat actions are conducted;
- (b) the temporarily occupied territories as determined by the Cabinet of Ministers of Ukraine;
- (c) which are defined as contaminated with explosive objects and/or which contain fortifications.

For the 2022 and 2023 tax years, the total minimum tax liability is not payable for land located on the abovementioned territories.

### Environmental tax

For the 2022 tax year, the environmental tax shall not be paid regarding facilities located on the territories where combat actions are conducted or temporarily occupied by armed groups according to the list specified by the Cabinet of Ministers of Ukraine.

### Unified social security contribution

From 1 March 2022 until the termination of martial law, as well as for twelve months after such termination, private entrepreneurs, persons engaged in independent professional activity, members of the farming enterprise, have the right not to pay a unified social security contribution for themselves.

For the period of mobilization, employers – unified tax taxpayers who have chosen the simplified taxation system, private entrepreneurs belonging to the second and third groups of single tax taxpayers, as well as legal entities belonging to the third group of single tax taxpayers – have the right not to pay the unified social security contribution for employees called up for military service in the Armed Forces of Ukraine.

Fines and penalties for violations in connection with the payment of the unified social security contributions shall not be applied during martial law and three months after its termination.

### Other taxation-related changes:

- (a) Until the termination of martial law, tax audits will be suspended, and no new ones will be conducted, except for:
  - (i) actual audits, in particular on the possibility of payment by card. The moratorium on conducting actual tax audits for the period of quarantine was also lifted;
  - (ii) desktop audits of declarations or adjustments for which an application for a refund has been made.

(b) The time limits set by the Tax Code of Ukraine, other legislation, the control of which is entrusted to the controlling tax authorities, shall be suspended.

(c) Taxpayers shall not be reimbursed for damage caused by inaction of the tax authorities in connection with the operation of the legal regime of martial law or state of emergency.

(d) Default interest for violations of tax legislation resulting from the imposition of martial law or state of emergency shall not be charged and the accrued default interest shall be annulled.

#### **BANKING, CREDIT AND ANTI-MONEY LAUNDERING LEGISLATION**

As per RESOLUTION of the Board of the National Bank of Ukraine No. 18. "On Operation of Banking System Under Martial Law", dated 24 February 2022:

Banks are prohibited from issuing blank loans.

A moratorium on outgoing cross-border foreign currency payments was introduced except for payments for the items of "critical imports" as defined by the Cabinet of Ministers of Ukraine's Resolution No. 153 dated 24 February 2022 with amendments.

#### **EXPORT LICENSING**

Export licenses for key agricultural commodities, including shell eggs, was introduced. Resolution No. 207, expanding the list of exports and imports subject to licensing and quotas in 2022, was adopted by the Cabinet of Ministers of Ukraine March 5, 2022.

#### **LABOR LAW**

The Verkhovna Rada of Ukraine adopted a Law of Ukraine "On Organization of Labor Relations under Martial Law" No.2136-IX (hereinafter – the Law ), and the State Labor Service of Ukraine continues to issue recommendations and comments in respect of the legislation's application.

#### **Changes in Significant Working Conditions**

Significant working conditions include the amount of salary, benefits, working regime, combining of professions, job titles, etc., the list not being exhaustive. Earlier, it was required to warn about any change in significant working conditions at least two months ahead. Under the martial law, this regulation shall not apply (Part 2, Art. 3 of the Law). In the event it is impossible to retain former significant working conditions, and an employee does not agree to continue working under the new working conditions, then the employment agreement shall be terminated according to Para. 6, Article 36 of the Labor Code of Ukraine.

However, in the event an employee does not directly refuse from changing significant working conditions, but, due to military activities, is unable to move to a new location, then, instead of a dismissal, the employer should consider the introduction of the downtime (with payment of not less than two third of the tariff pay for the grade (salary) set for such an employee), or unpaid vacation, or suspension of the employment agreement.

#### **Transfers**

Transfers (execution of the work by an employee that is not stipulated by the employment agreement) for the period of the imposed martial law shall be allowed without a consent of the employee if such a work is medically permissible and is used only for the purposes of preventing or liquidating the consequences of combat actions, as well as other circumstances that may pose a threat to human life or normal living conditions.

Besides, the salary amount should be not less than the average salary of the employee at the previous job. No transfers to other locations where active combat actions are under way shall be allowed without a consent of the employee.

#### **Remote Work from Abroad**

The Law regulating labor relations under martial law does not presuppose separate regulations in respect of remote work, therefore, the legislative regulation shall be effective that was adopted back in 2021 in response to lockdown restrictions.

Transfers to remote work shall not require making an obligatory notification about the fact two months in advance. For the period of the existing threat of a military aggression and an emergency of another kind, the remote work may be introduced by an order (resolution) of the employer, without entering into an employment agreement about remote work in writing.

The legislation neither presupposes for an employee's obligation to notify the employer about his/her location, nor prohibits to perform remote work from abroad. I.e. the remote work from abroad shall not require any additional paperwork.

In the event employees stay abroad for a long period of time, then it is needed to pay attention to the issue of the employees' tax residence. We recommend analyzing each case individually depending on the country to which an employee has left based on the provisions of international conventions on double taxation.

#### Track of Working and Off-Work Hours

The Law increases the normal duration of working time from 40 to 60 hours per week, and the reduced one from 36 (in certain cases 24) to 50 hours per week. Instead, the duration of uninterrupted weekly rest period may be reduced to 24 hours.

The increased duration of working time and the reduced time for rest shall be the right and not the obligation of an employer and should be applied only in the cases when a longer work is substantiated by the need to ensure the effective activities of a relevant enterprise engaged in the defense sphere or in the sphere of meeting civil requirements.

Also, in the period of the martial law, the following regulations of the Labor Code of Ukraine shall not be applied:

- Reduced work day by one hour on the eve of holiday and non-working days;
- Restricted marginal rates for overtime work;
- Transfers of holiday days to the days following the holiday or non-working days; transfers of days-off and work days in accordance with the recommendations of the Cabinet of Ministers of Ukraine;
- Prohibited engagement of employees to perform work on days-off, holidays, and non-working days and compensations for engaging to work on days-off, holidays, and non-working days.

#### Dismissals

The martial law does not limit reasons for dismissals that are commonly used in the normal period. I.e. the legislation shall continue to allow terminating employment agreements upon a mutual consent of the parties, staff redundancies, etc. The Law introduces only simplifications to some mechanisms related to dismissals under the martial law, in particular:

- In the event an employee is dismissed upon his/her initiative, the employment agreement shall be terminated within the period set by the employee himself or herself, and the requirements specified in Art. 38 of the Labor Code of Ukraine concerning a two-week notification shall not apply. The required reasons for that shall be as follows:
  - The employee should not be the one who is forcefully engaged in socially useful works and not involved in the works at critical infrastructure facilities;
  - There is a threat to the employee's life and health due to the fact that an employer is located in the area of combat activities. The area of military (combat) activities shall be the area, as determined by the decision of the Commander-in-Chief of the Armed Forces of Ukraine, in the land territories of Ukraine, air and/or water space in which, for a certain period of time, military (combat) activities are and/or have been held (Para. 26, Art. 1 of the Law of Ukraine "On Defense of Ukraine").
- The Law allows dismissing an employee on the initiative of the employer in the period of his/her inability to work, and in the period of his/her being on vacation (other than a maternity leave and a child care vacation until the child reaches the age three years old). In such a case, a dismissal date shall be the first working day following the date when a temporary inability to work or a vacation ends.

I.e. the Law does not create any additional grounds for dismissals under the martial law, but only adapts the dismissal procedure to the current realities.

#### Vacations

Annual basic paid vacations shall be provided to employees for a period of 24 calendar days. The Law does not set any limits to granting annual additional vacations.

An employer shall have the right to refuse an employee in granting any type of vacations (other than a maternity leave and a child care vacation until the child reaches the age three years old) if such an employee is engaged in performing works at critical infrastructure



facilities.

At an employee's request, an employer may grant him/her an unpaid vacation for an indefinite period of time (in the normal period, such a vacation leave may not exceed 15 days).

#### **Remuneration**

The Law does not relieve an employer from the obligation to pay salaries, even when combat activities are held at the employer's location, and only allows delaying the fulfillment of this obligation until the enterprise's operations are restored.

Also, an employer shall be relieved from a responsibility for violations in the terms of salary payment if it proves that the violations have been caused by military activities or other force majeure circumstances. The relief of the employer for untimely remuneration shall not exempt it from the obligation to pay salaries.

On the other hand, in the event the above circumstances are not proved, the employer shall bear the responsibility in accordance with the legislation. As of today, such a responsibility includes monetary penalties, as well as administrative and criminal responsibilities.

In the event an employer is unable to pay salaries, it should consider introducing downtime. If it is impossible to pay lower salaries, it makes sense considering the use of unpaid vacations or suspending employment agreements.

#### **Suspension of an Employment Agreement**

The Law has introduced a new element of settling labor relations – suspension of an employment agreement. Thus, in the event a military aggression is undertaken against Ukraine, which makes it impossible to render and fulfill work, the employment agreement may be suspended.

The suspension presupposes that an employer temporarily ceases to provide an employee with a work tasks and an employee temporarily stops fulfilling work under the concluded employment agreement. I.e. an obligatory condition for suspending an employment agreement shall be the inability of an employer to provide an employee with a work tasks and an employee to fulfill a relevant work. The suspension of an employment agreement shall not entail the termination of employment relations. Both an employer and an employee may initiate the suspension of an employment agreement.

When an employment agreement is suspended, an employer and an employee shall, wherever practical, notify each other of the fact by any means possible. The Law does not determine a form of notification about the employment agreement's suspension, thus, such a notification may be prepared in writing or in an electronic form by using technical means of electronic communication.

When selecting whether to use an unpaid vacation or suspended employment agreement, an employer and an employee should consider that, in the event the employment agreement is suspended, there is a possibility of receiving compensation payments. Thus, the Law indicates that salaries, guarantees, and compensation payments for the period of the employment agreement's suspension shall be fully reimbursed by the state that undertakes a military aggression against Ukraine. However, at the moment, the legislation has not determined a mechanism for such reimbursement.

#### **Staff Records Management**

The Law has allowed that the employers located in the areas of active combat activities shall independently determine a procedure for organizing staff records management and archive storage of human resource documents. Besides, an employer should ensure that the work performed by an employee be properly recorded and the labor remuneration expenses be appropriately accounted for. I.e. the employer should determine such a type of staff records management that would be practicable to organize under the martial law and introduce the new rules by a relevant order or resolution which the enterprise should comply with during the period of martial law.

#### **Inspections of the State Labor Service of Ukraine**

After the imposition of the martial law, the State Labor Service of Ukraine announced that it would suspend holding planned and extraordinary inspections until the martial law is terminated. However, after the martial law is stopped, the State Labor Service of Ukraine will review all applications about violated employment relations committed under the martial law, examine in detail all the circumstances that have caused such violations, and may enforce responsibility.

**28. SUBSEQUENT EVENTS**

On 12 May 2022 YASENSVIT LLC, an operating company of the Group, received a loan in amount of UAH 60 000 thousand under the governmental program of agricultural producers support. The agent bank is Credit Agricole. The loan was granted for 90 days. Interest expenses shall be compensated to the bank in full by the Ukrainian government.

On 19 May 2022 the European Parliament approved the 1 year suspension of EU duties on the Ukrainian exports, including shell eggs and egg products. The Group expects this measure to positively affect export activities in terms of both costs and volumes.



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#### Forward-looking statements notice

All forward-looking statements contained in this annual report with respect to our future financial and operational performance and position are, unless otherwise stated, based on the beliefs, expectations, projections and the estimates of our management representing their judgment as at the dates on which the statements have been made. Forward-looking statements are generally identifiable by the use of the words “may”, “will”, “should”, “plan”, “forecast”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “goal” or “target” or the negative of these words or other variations on these words or comparable terminology. Our actual operational and financial results or the same of our industry involve a number of known and unknown risks, uncertainties and other factors and they are not guaranteed to be similar to the forward-looking statements, although our management makes all effort to make forward-looking statements as accurate as possible. We do not undertake publicly to update or revise any forward- looking statement that may be made herein, whether as a result of new information, future events or otherwise.