

Annual 2020 Report



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CHIEF EXECUTIVE OFFICER'S STATEMENT



DEAR SHAREHOLDERS,

2020 will go down in history as the year that has changed the world in a number of ways. Social, political and economic landscapes were reshaped globally under COVID-19 pandemic massive pressure. Many business around the world got swept away by the unfolding crisis and I am happy to see Ovostar Union among those who have managed to stand up to the challenge. On the background of shrinking social and business activity and in spite of a series of lockdowns, our company continued its full-scale operations. Needless to say that we made all possible efforts to create safe working environment for our people, whose commitment is huge and highly appreciated. Even though our production and sales volumes were not significantly affected in 2020, special emphasis was given to the cost optimization and overall efficiency. We see enough space for the margins increase and are determined to work on it. In parallel we keep following our strategic lines in terms of export expansion - the partnership with the Dutch colleagues established in 2020 is a great opportunity for our company to advance into the EU market. Locally we are focused on increasing the market share and diversification of the product portfolio both in egg and egg products segment. We believe that Ovostar Union performance in 2020 is a good evidence of the progress achieved in the above areas, and yet, expect much better results in 2021.

Sincerely,
Borys Bielikov, CEO



MANAGEMENT REPORT

CORPORATE SUMMARY

COMPANY OVERVIEW



Ovostar Union Public Company Limited is a holding entity originally incorporated under the laws of the Netherlands in 2011 and re-domiciled to Cyprus in 2018. It consolidates companies with production assets located in Ukraine and non-Ukrainian trading companies in Latvia, British Virgin Islands and United Arab Emirates (hereinafter referred to as “we, us”). Our shares have been quoted on the Warsaw Stock Exchange since June 2011.

Our goal has been to produce ecologically clean and healthy food for our clients in Ukraine and abroad. We are growing organically by gradually increasing the volume of eggs produced and expanding the range of egg products offered. For over a decade Ovostar Union has been one of leaders of the local egg industry belonging to the top 3 producers in Ukraine.

With focus on developing the export markets, we are expanding our sales geography supplying shell eggs and egg products of consistently high quality around the countries of Europe, Middle East, Africa and Asia.

Within the egg segment, we possess shell egg portfolio of over 20 sub-brands and supply our branded eggs to the largest retail chains in Ukraine. As a result of export markets development we are gradually increasing the deliveries of shell eggs outside of Ukraine.

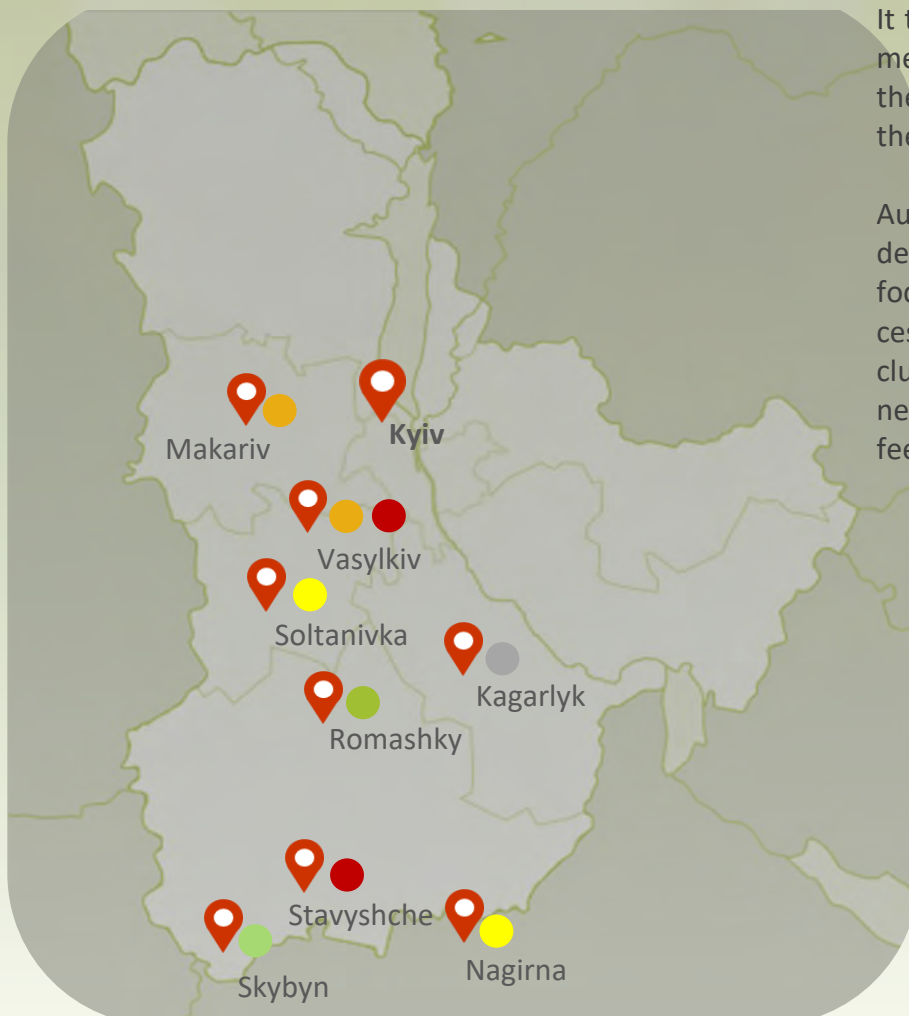
Within the egg products segment, we offer the full range of egg products of both liquid and dry forms. We enjoy loyalty of the largest food processing companies in Ukraine and abroad by adjusting our products to the clients’ needs while maintaining the superior quality.

CORPORATE SUMMARY

BUSINESS GEOGRAPHY

Our production facilities are located in the North Central part of Ukraine in Kyiv and Cherkasy regions within 130 km from each other.

Production premises include one breeder farm with parent flock, one hatchery producing day-old pullets, two rearing sites for young laying hens and two laying hen farms. The egg processing facilities include plants located on the premises of the laying hen farm in Vasylkiv and Makariv.



It takes less than 24 hours from the moment an egg is laid till it is delivered to the egg processing plant; this ensures the high quality of final egg products.

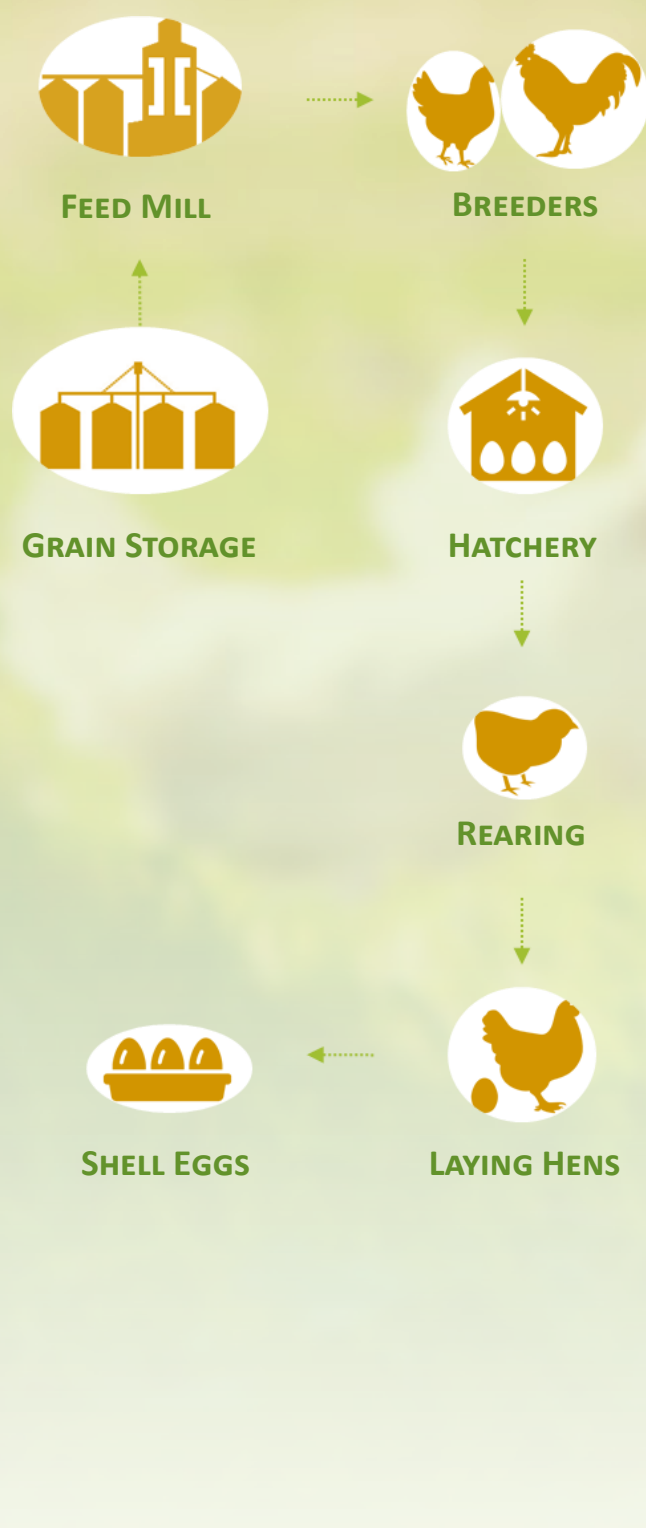
Auxiliary production comprises two fodder mills with total capacity of 56 tons of fodder per hour and one oilseed processing plant, that in 2020 was used exclusively for the Company's internal needs, in particular for production of the feed supplements for own flock.

- Fodder mill
- Breeder farm
- Hatchery
- Young laying hens farm
- Laying hens farm
- Egg processing plant

CORPORATE SUMMARY

BUSINESS MODEL

PRODUCTION CYCLE



We employ the most up-to-date poultry and processing equipment and progressive technological concepts at our production sites in order to ensure efficiency of production processes and superior quality of final products.

Having initially adopted a large-scale production approach, we have built up a vertically integrated business model with full production cycle spanning from parent flock to egg processing.

Alongside our core business we maintain our own fodder production, rapeseeds processing and grain storage, which secure the high quality of fodder for our poultry flock.

Our products are compliant with international quality standards ISO 9001:2015 and FSSC 22000 v.5 as well as applicable national Ukrainian standards and sanitary norms. We also possess the Halal Certificate to export internationally and are certified to export both shell eggs of class “A” and egg products to the European Union.

CORPORATE SUMMARY

OUR BRANDS - SHELL EGGS

We supply Ukrainian market with the widest range of packaged shell eggs under brand name Yasensvit™. Key customers of egg segment are large local and international retail chains in Ukraine.

Price for branded packaged eggs is traditionally higher than the average egg price on the market. Having Yasensvit™ for over 15 years on the Ukrainian market, the price premium is justified by consumers' recognition of consistently high quality of products under Yasensvit™ brand and the wide range of assortment adjusted to specific consumer preferences.

In 2020 we kept the position of one of the major producers of private label eggs in Ukraine.

Our eggs branded by retail network labels are supplied to Auchan, Silpo, Metro, Novus, ATB, Velyka Kyshenya and a number of smaller regional retail chains.

In 2019 new design and logo of Yasensvit™ was introduced in response to the fast changing market conditions and consumer needs. These steps, as a part of the upgraded marketing strategy, are aimed at building up the existing customer loyalty and attracting new clientele.

In 2020 a free range poultry house was completed and certified for production of shell eggs marked as "Free Range". The Company is one and only among local industrial egg producers who launched free range egg production.

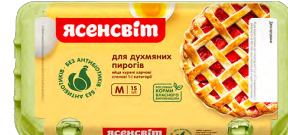
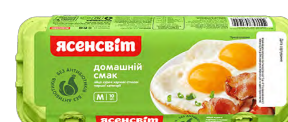


- ✓ Over 15 years the most recognizable trade mark on the Ukrainian market;
- ✓ Consistently high product quality;
- ✓ Supplier to the largest retail chains in Ukraine;
- ✓ Whole product portfolio of premium, standard, economy and private label categories.

PREMIUM



STANDARD



CORPORATE SUMMARY

OUR BRANDS - EGGS PRODUCTS

We offer a wide range of separated and whole egg products in dry and liquid form under the OVOSTAR brand. The demand for egg products mainly comes from food processing companies in Ukraine and abroad.

The segment is mainly B2B-oriented as the egg products are used for production of confectionary, mayonnaise, meat products etc. Each client requests the egg product with certain characteristics needed for the final good. Our flexibility to adjust to clients' needs maintains the loyalty of our major clients as well as our position of market maker of liquid egg products in Ukraine.

Among our key local customers are Roshen, Schedro, Mondelez Ukraine, Volyn Holding, Kharkiv Biscuit and others. We are also the exclusive supplier of eggs and egg products to McDonalds Ukraine.

Inspired by the success of bottled liquid egg white and liquid whole egg, offered to our customers in 2018, in 2019 we introduced a new egg product in retail segment - bottled scrambled eggs. Further, in 2020 we launched production of liquid white, liquid eggs and omelets in pure-pak cartons, that are now available in most retail-chains all over the country.



Brand-new liquid egg products in pure-pak cartons are now available to retail customers under TM YASENSVIT and OVOSTAR



MARKET OVERVIEW

MACROECONOMIC INDICATORS

After years of political and economic tension, the Ukrainian economy had started to stabilise, but the outbreak of COVID-19 reversed this trend. According to the IMF, GDP growth fell to an estimated -7.2% in 2020 (from 3.2% in 2019), and is expected to pick up to 3% in 2021 and 3.2% in 2022, subject to the post-pandemic global economic recovery. Activity should be supported by a revival of external and domestic demand, as well as fiscal and monetary stimulus.

Until February 2020, the Ukrainian economy was still in a robust macroeconomic state thanks to the successful implementation of a reform program, with declining public debt, falling inflation and positive growth forecasts, but the outbreak of the pandemic and the government reshuffle darkened the outlook. Declining nominal GDP and Covid-19-related fiscal stimulus widened the fiscal deficit, reaching -4.5% GDP in 2020 (from -1.8% in 2019) and projected to amount -3.8% GDP in 2021 and -3% GDP in 2022 (IMF).

Public debt increased significantly, from 50.1% GDP in 2019 to 65.7% GDP in 2020, and is expected to stay high in 2021 (64.3% GDP) and 2022 (61.8% GDP) (IMF). During the first nine months of 2020, the hryvnya lost -16% vs. the USD (Euler Hermes), but inflation declined to 3.2% in 2020 (from 7.9% in 2019) due to the easing of energy and food prices. Inflation is expected to increase again to 6% in 2021 and 5.7% in 2022 (IMF).

In June 2020, the IMF approved a USD 5 billion support package to help Ukraine to cope with COVID -19 pandemic challenges. Policies under the new arrangement focus on four priorities: mitigating the economic impact of the crisis; ensuring continued central bank independence and

a flexible exchange rate; safeguarding financial stability while recovering the costs from bank resolutions; and moving forward with key governance and anti-corruption measures to preserve and deepen recent gains (IMF). The 2021 budget priorities include healthcare, purchase of vaccines from COVID-19, increasing the minimum wage, salaries and pensions, education and agriculture.

Ukraine's unemployment rate was falling until 2019, but due to the negative economic impact of the COVID-19 pandemic, it is estimated to have increased to 11% in 2020 and is forecast to stay high in 2021 (9.6%) and 2022 (9%) (IMF). The informal sector in Ukraine is estimated to account for a third of the country's GDP, and GDP per capita (at purchasing power parity) is only 20% of the EU average.

The agricultural sector plays a major role in Ukrainian economy. In 2019, it contributed to 9% of the GDP and employed 14% of the working population in 2020 (World Bank). The main crops are cereals, sugar, meat and milk. Ukraine is the world's fifth largest exporter of grain. The European Union has reduced its customs duties on the agricultural areas of Ukraine, which could be a boon for this sector.

Due to the COVID-19 pandemic, Ukrainian economic sectors have been hit hard in 2020, and a slow recovery is expected in 2021, subject to global post-pandemic recovery. Agriculture is expected to be among the least affected by quarantine restrictions, while service, trade and transport have been the most affected. Approximately 700,000 small businesses in the service sector have closed.

MARKET OVERVIEW

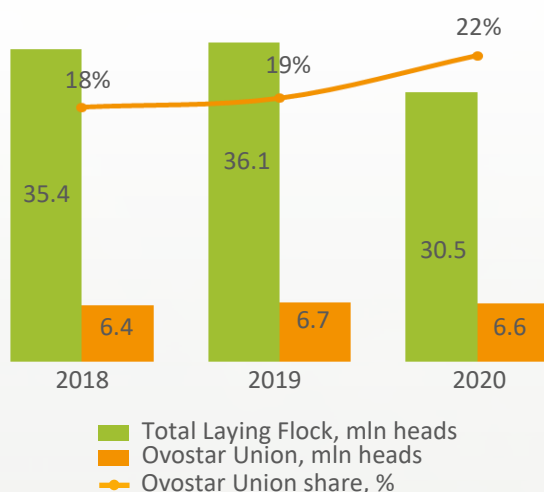
COMPETITIVE POSITION

LAYING HENS FLOCK

Ukrainian egg market is characterized by significant share of laying hens farmed by households from April to September, therefore, it can be assumed that the number of laying hens provided by State Statistics Service of Ukraine as at the end of the year presents the industrial flock.

As December 31, 2020 the industrial laying hens flock decreased by 16% YoY and amounted to 30.5 million heads (2019: 36.1 million heads). Ovostar Union share in total laying hens flock as of December 31, 2020 made up 22% (2019: 19%).

LAYING HENS FLOCK: UKRAINE* AND OVOSTAR UNION



SHELL EGG MARKET

Total volume of eggs produced in Ukraine in 2020 fell by 3% in comparison to the previous year and reached 16.2 bln (2019: 16.7 bln eggs).

The Ukrainian shell egg market is historically divided into industrial and household production. The volume of eggs produced in industrial format in 2020 decreased by 4% YoY to 8.9 bln eggs, or 55% of total production volume (2019: 9.3 bln eggs, or 56%). Ovostar Union share in industrial shell eggs production in 2020 was 19% (2019: 17%).

In 2020 egg consumption rate in Ukraine amounted to approximately 280 eggs per capita according to the data of Ukrainian Poultry Farmers Union (2019: 282 eggs per capita).

EGG PRODUCTS MARKET

In 2020 estimated production volume of dry egg products market in Ukraine decreased by 31% YoY to 7.3 thous. tons, output of liquid egg products grew by 4% to 16.0 thous. tons.

Ovostar Union estimated share in total volume of dry egg products output in 2020 equals 43% (2019: 28%); share in total liquid egg products produced - 85% (2019: 90%).

KEY FINANCIALS

2020 UPDATE

INCOME STATEMENT (mUSD)

	2019	2020	Δ YoY, %
Revenue	104.7	98.9	(5%)
Gross profit	(6.3)	13.4	313%
EBITDA	(15.5)	8.0	151%
Profit before tax	(20.3)	2.8	114%
Net profit	(20.0)	2.6	113%

BALANCE SHEET (mUSD)

	31-Dec-2019	31-Dec-2020	Δ YoY, %
Assets	145.8	131.3	(10%)
Non-current assets	93.7	88.2	(6%)
Current assets	52.1	43.1	(17%)
Equity and Liabilities	145.8	131.3	(10%)
Equity	121.0	104.4	(14%)
Non-current liabilities	4.7	5.5	17%
Current liabilities	20.2	21.4	5%

CASH FLOW (mUSD)

	2019	2020	Δ YoY, %
Net cash generated by operating activities	17.3	15.0	(13%)
Net cash used in investing activities	(21.8)	(17.2)	(21%)
Net cash generated by financing activities	(5.9)	(0.8)	(87%)

DEBT POSITION (mUSD)

	31-Dec-2019	31-Dec-2020	Δ YoY, %
Total debt	10.4	10.8	4%
Cash and cash equivalents	4.5	1.6	(64)
Net debt	5.9	9.1	55%

SEGMENT ACTIVITIES

EGG SEGMENT

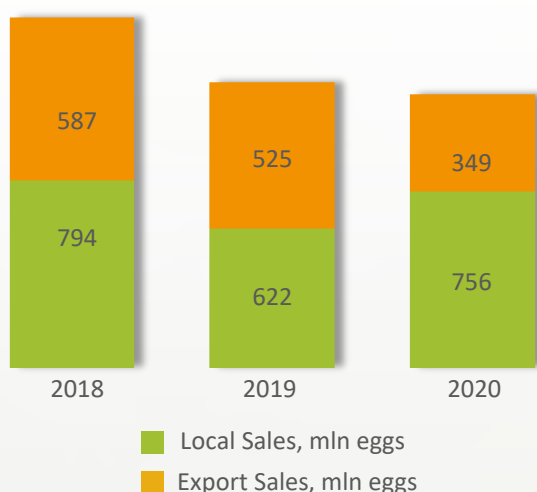
PRODUCTION

As of 31 December 2020 the Company's total flock equaled 8.0 mln hens. The number of laying hens was 6.6 mln heads which represents a slight (~1%) decrease as compared to December 31, 2019. The production volume, however, increased by 5% to 1 671 mln eggs (2019: 1 587 mln eggs).

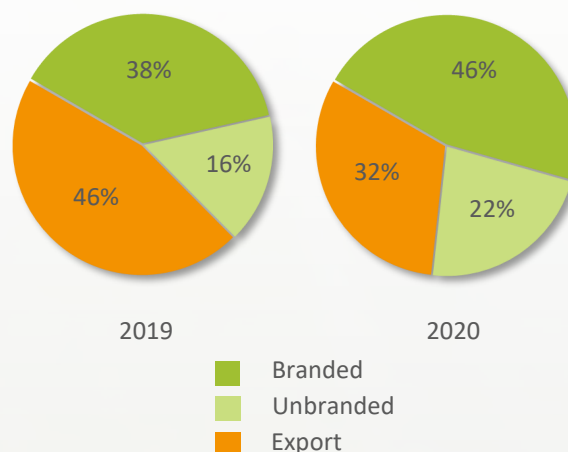
SALES

In the reporting period the sales volume in shell eggs segment fell by 4% to 1 104 mln eggs (2019: 1 147 mln). The volume of eggs exported was 349 mln that makes up 32% of the total sales in the segment (2019: 525 mln or 46%). The decrease of shell eggs sales is accounted for by the significant reduction of trading operations in 2020.

SHELL EGGS SALES



SHELL EGGS SALES STRUCTURE



Average price of eggs in UAH terms rose by 2% YoY and reached 1.634 UAH/egg, while in USD terms it decreased by 2% YoY to 0.061 USD/egg (2019: 1.606 UAH/egg or 0.062 USD/egg respectively).

SEGMENT ACTIVITIES

EGG PRODUCTS SEGMENT

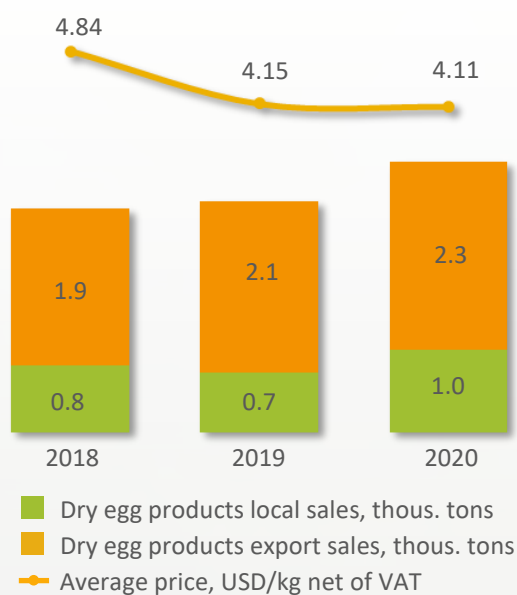
PRODUCTION

In 2020 the volume of eggs processed was 551 mln, which represents a 4% decrease as compared to the previous year (2019: 577 mln eggs). The volume of dry egg products output grew by 6% YoY and reached 3 161 tons (2019: 2 969 tons). The output of liquid egg products decreased by 3% YoY to 13 504 tons (2019: 13 904 tons).

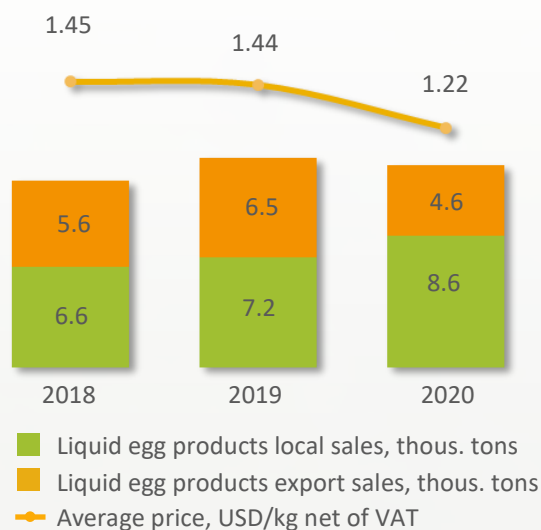
SALES

The volume of dry egg products sold grew by 17% and equaled to 3 270 tons (2019: 2 786 tons), out of which 2 268 tons, or 69%, were exported (2019: 2 064 tons or 74%). The volume of liquid egg products sales fell by 3% YoY and totaled 13 281 tons (2019: 13 762 tons), 4 647 tons, or 35%, of which were exported (2019: 6 516 tons or 47%).

DRY EGG PRODUCT SALES



LIQUID EGG PRODUCT SALES



Average sales price of dry egg products increased by 3% YoY in UAH terms to 110.84 UAH/kg and decreased by 1% in USD terms to 4.11 USD/kg (2019: 107.16 UAH/kg or 4.15 USD/kg). Average price of liquid egg products fell by 11% in UAH terms and was 32.93 UAH/kg, while in USD terms it fell by 15% to 1.22 USD/kg (2019: 37.15 UAH/kg, 1.44 USD/kg).

SEGMENT ACTIVITIES

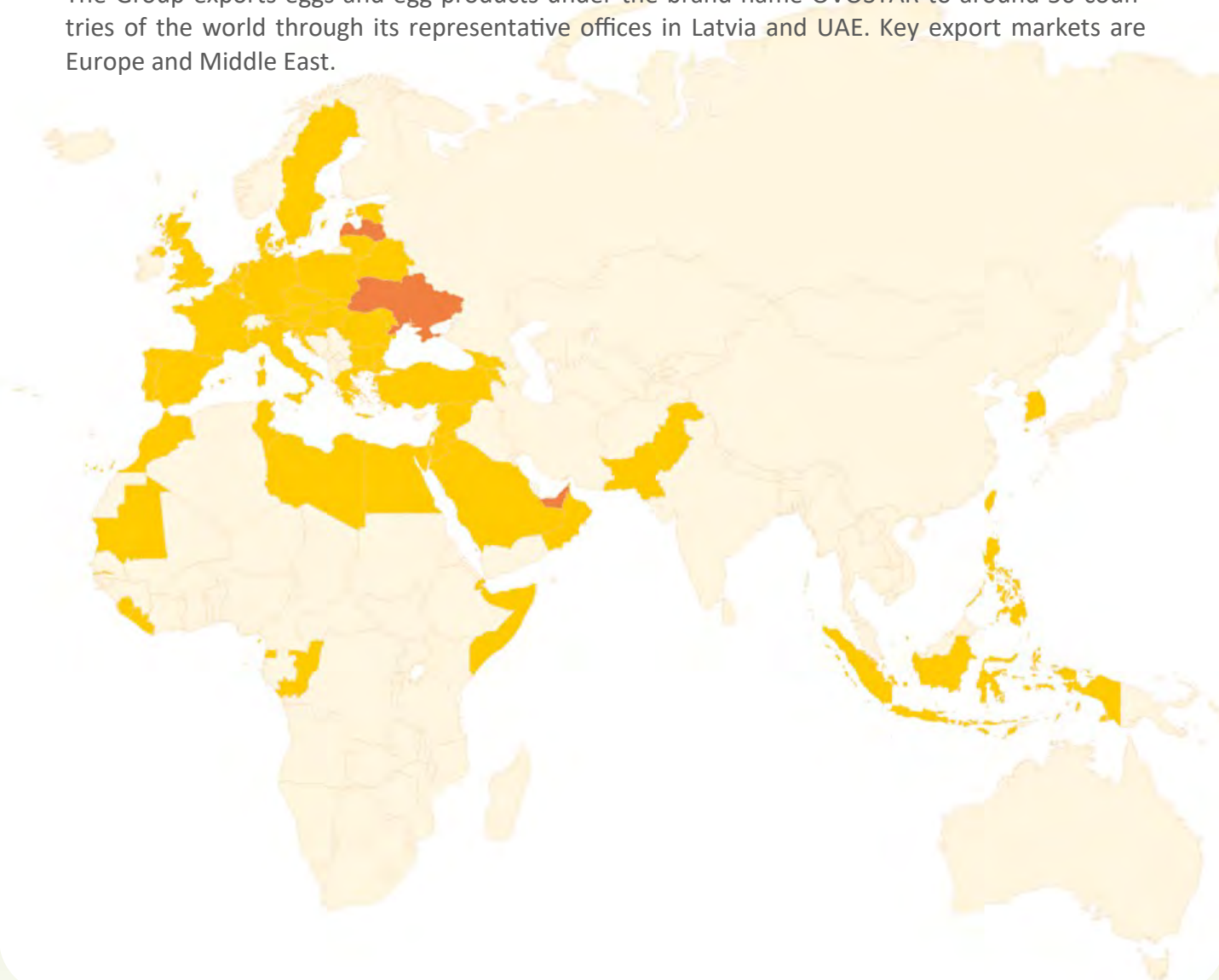
SALES GEOGRAPHY BY SEGMENT

EXPORT MARKETS DEVELOPMENT

In 2020 40% of the total revenues of the Company came from export activities. Export revenues totaled to USD 39.8 million. Sales to Middle East contributed 19% to the total revenues (2019: 30%), sales to European Union remained on the level of 2019 and made up 16% of total revenues.

Shell eggs segment accounted for 57% of the total export revenues, the remaining 43% came from egg products segment.

The Group exports eggs and egg products under the brand name OVOSTAR to around 50 countries of the world through its representative offices in Latvia and UAE. Key export markets are Europe and Middle East.



FINANCIAL RESULTS

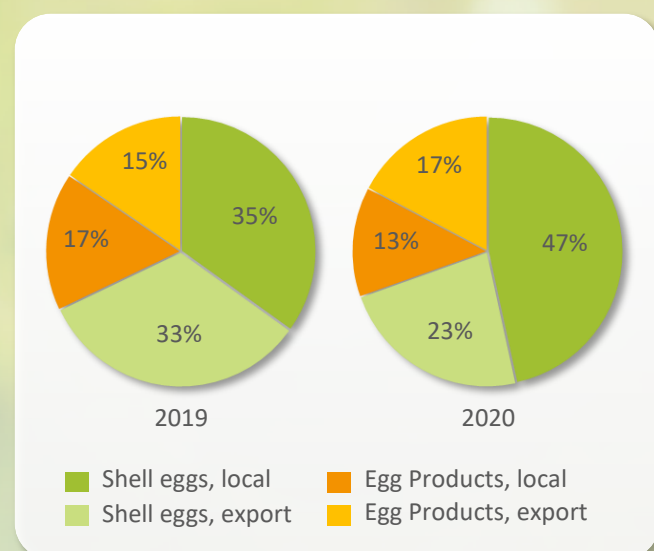
FINANCIAL PERFORMANCE

REVENUE

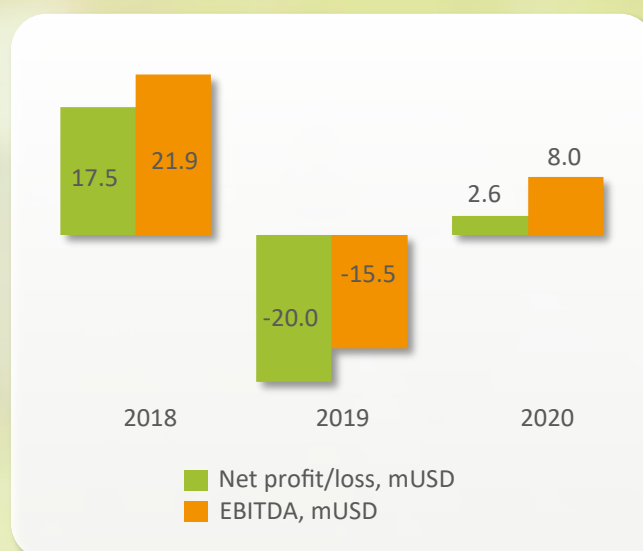
In 2020 total revenues fell by 5% as compared to the previous year and amounted to USD 98.9 mln (2019: USD 104.7 mln). The main factors accounting for the decrease are a) lower volume of shell eggs sales due to significant reduction of trading operations; and b) negative selling price dynamics that was observed on both local and export markets in the first half of the year.

The contribution of shell egg segment to the total revenues in 2020 was USD 68.8 mln, or 70% (2019: USD 71.1 mln, or 68%). Egg products segment contributed USD 30.1 mln, or 30% (2019: USD 33.6, or 32%).

REVENUE STRUCTURE BY SEGMENT



PROFITABILITY DYNAMICS, mUSD



GROSS PROFIT AND COST OF SALES

The cost of sales decreased in 2020 by 7% YoY from USD 87.6 mln to USD 81.7 mainly as a result of the lower sales volume. Gross profit totaled to USD 13.4 mln (2019: USD (6.3) mln). YoY increase of gross profit is accounted for by the dynamics of the result of revaluation of the biological assets: from USD (23.3) mln in 2019 to USD (3.7) mln in 2020.

NET PROFIT

Net profit for the year amounted to USD 2.6 mln (2019: loss in amount of USD (20.0) mln).

EBITDA

In 2020 EBITDA rose to USD 8.0 due to significant positive change in revaluation of biological assets (2019: USD (15.5) mln).

FINANCIAL RESULTS

FINANCIAL POSITION

ASSETS, LIABILITIES AND EQUITY

As of December 31, 2020 the total assets amounted to USD 131.3 mln, which represents a 10% decrease YoY (2019: USD 145.8 mln).

The total equity decreased by 14% YoY and amounted to USD 104.4 mln (2019: USD 121.0 mln), mainly due to the change in foreign currency translation reserve.

LOANS AND BORROWINGS

As of December 31, 2020 the total amount of interest-bearing loans and borrowings was USD 10.8 mln, representing a 4% growth YoY (2019: USD 10.4 mln). In 2020 new loans were attracted in total amount equivalent to USD 4.4 mln. Net debt as of December 31, 2020 totaled to USD 9.1 mln (2019: USD 5.9 mln).

CASH FLOW

In 2020 Net cash flows from operating activities was USD 15.0 mln (2019: USD 17.3 mln).

Net CF used in investment activities was USD 17.2 mln (2019: 21.8 mln) and included USD 0.8 mln of grant received in 2020 from the Government under the program of agricultural producers support. Net CF from financing activities was USD 0.8 mln (2019: 5.9 million).

CASH FLOWS

mln USD	2018	2019	2020
Operating CF	23.2	17.3	15.0
Investing CF	(19.7)	(21.8)	(17.2)
Financing CF	(4.0)	(5.9)	(0.8)

OUTLOOK FOR 2021

STRATEGY AND OUTLOOK

STRATEGY

Our organic growth strategy has been aimed at strengthening the Company's market position and expanding the presence its products in and outside of Ukraine simultaneously maintaining the customer loyalty. The focus on consistently high quality of our products and long-term relationships with our clients offset any external challenges that the egg industry may face.

The results we deliver are based on commitment of every employee. The cooperation across departments results in higher productivity of day-to-day operations and stronger synergy effect. In 2021 we intend to continue advancing employee skills to be more competitive and efficient.

OUTLOOK FOR 2021

The unfolding world crisis triggered by COVID-19 pandemic and economic recession that appeared on the agenda in early 2020 has seriously affected every country in many aspects. Thus, the Company makes all efforts to adjust its strategy to the changing business environment and to respond to the new challenges. Being a part of critical infrastructure in Ukraine, the Company keeps

operating, having introduced even stricter rules of biosafety and sanitary control at its production sites in order to minimize risks for the employees and consumers. Under the circumstances we expect that in 2021 the focus will be placed on maintenance of the existing production facilities and increasing operating efficiency.

The management makes steps to secure the supply chain which is vital for the operations continuity. Activities in the export markets have not suffered, however, further developments are subject to the success of measures taken locally and internationally to curb the crisis and mitigate its effects.

INVESTMENT PROGRAM UPDATE

In 2020 the Company completed construction of one of the four poultry houses under the final 4th stage of the investment program at Stavyshe production site. The CAPEX of 2021 is expected to be moderate with focus on maintenance and infrastructure. Depending on the performance during the first half of 2021 up to USD 5 mln could be allocated to the slaughter house construction project.

	2019	YoY (20/19)	2020	YoY (21/20)	2021F
Laying hens flock, mln heads	6.7	(2%)	6.6	18%	7.8
Eggs produced, mln	1 587	5%	1 671	10%	1 846
Dry egg products produced, tons	2 969	6%	3 161	5%	3 324
Liquid egg products produced, tons	13 904	(3%)	13 504	11%	15 000

HUMAN RESOURCES

OVERVIEW

The majority of our employees are involved in production processes on the premises located in Kyiv and Cherkasy regions. We recruit, employ and promote employees on the sole basis of their qualification and abilities. Equal employment opportunities and career perspectives are provided for all employees, regardless of their gender, age, nationality or religious views.

Our personnel policy is aimed to create and retain a well consolidated and highly professional team of individuals that are able to respond effectively to changing market environment. We strive to ensure a positive, productive and successful work environment. The level of satisfaction is, among other criteria, confirmed by high employee retention rates (97% on average for the last 5 years).

We aim to maintain a fair and comprehensive system of remuneration. Overall remuneration of our employees is divided into material and non-material portions. Material remuneration consists of a basic fixed salary plus a variable component like bonuses that depend on achievement of corporate and personal targets.

Non-material remuneration consists of professional trainings, corporate team-building events and free use of corporate gym.

Legal relationships between the Company and its employees are regulated by the Labor Code of Ukraine and executed in the form of term and termless labor agreements. We cooperate with the State Pension Fund making monthly social insurance contributions. A corporate pension schedule has not been established.

Our employees other than some of the Board members do not have any shareholdings in Ovostar Union PCL, to our knowledge; nor do they hold any stock options or other rights to shares nor participate in any other way in the capital of Ovostar Union PCL. Currently, no arrangements relating to such participation are planned in the short-term perspective.

QUANTITY OF EMPLOYEES AS OF 31 DECEMBER

	2018	2019	2020
Employees, EoY, incl.	1 681	1 590	1 543
<i>Production</i>	<i>1 460</i>	<i>1 374</i>	<i>1 353</i>
<i>Administrative</i>	<i>221</i>	<i>216</i>	<i>190</i>

RISK MANAGEMENT & INTERNAL CONTROL

IDENTIFIED RISKS

	IMPACT	MITIGATION	2020 STATUS / NOTES
BIOLOGICAL RISK	Outbreaks of highly-pathogenic avian influenza in Europe and in the south of Ukraine may severely limit our ability to perform normal operations and reduce the possibility to export	Adherence to biosecurity standards in line with the best international practices. Egg production and egg processing facilities are compliant with ISO 9001: 2015 and FSSC 22000 v.5 and Halal. Diversification of sales channels	No occurrences of dangerous poultry diseases have been ever registered on our premises. We control all the processes along the full production cycle in order to provide the highest quality and ability to react fast in case of need
MACROECONOMIC RISK	Depreciation of Ukrainian Hryvnia leads to deterioration of income per household and change in consumer preferences	Worsening economic conditions has little effect on consumption of eggs per capita because eggs remain the most affordable source of animal-based protein	In 2020 egg consumption amounted to 280 eggs per capita, demonstrating stable growth over the last five years.
	Poor economic conditions result in lack of debt financing available	Historically, we have been reliant primarily on own positive cash flow and debt financing is used only for implementation of long-term investment programs. To offset the effects of the current instability of Ukrainian economy, we accumulated the cash on our bank accounts in foreign-owned banks in Ukraine and outside	We use export financing with comparatively low effective interest rate. However, excellent credit history allows to borrow funds from Ukrainian banks on favorable terms.

RISK MANAGEMENT & INTERNAL CONTROL

IDENTIFIED RISKS

	IMPACT	MITIGATION	2020 STATUS / NOTES
PRICE RISK	Devaluation of Ukrainian Hryvnia leads to lower price per item in USD terms and thereby decreases periodic financial results	Increase of export sales is a natural hedge against currency rate fluctuations. Higher cost incurred in UAH is being steadily transferred to the final consumer through an increase of UAH-based prices for shell eggs and egg products on the local market	In 2020 share of export revenue was 40% (2019: 49%). YoY change of prices in UAH terms: for shell eggs - 2%, for dry egg products - 3%, for liquid egg products - (11)%.
LIQUIDITY RISK	Current capital restrictions of National Bank of Ukraine, although partially weakened in 2019, may limit the possibility to meet the financial obligations when due	We strictly control our working capital	As at December 31, 2020 all payment obligations were met on time. Part of revenues are accumulated on the bank accounts of the subsidiaries outside of Ukraine
CONCENTRATION OF SALES	Excessive concentration of sales may lead to financial instability in case of loss of key customer	Our customer base is mixed in terms of size and industry. We are building a balanced customer portfolio	In 2020 we had no clients generating more than 10% of our total revenue

RISK MANAGEMENT & INTERNAL CONTROL

IDENTIFIED RISKS

	IMPACT	MITIGATION	2020 STATUS / NOTES
COMPETITION	Offering from the existing competitors or new market entrants may weaken our competitive position	We have a unique for Ukraine vertically integrated business model with facilities in close proximity to each other, what results in high production efficiency. Having been offering products of consistently superior quality and adjusting to the market demands, we achieved the recognition and loyalty of our customers	Yasensvit™ brand holds the position of the most-recognized brand of shell eggs in Ukraine. We also have a possibility to effectively diversify our sales to destinations outside Ukraine
CLIMATE RISKS	Extreme weather conditions can have a detrimental effect on the well-being of poultry flock and their production efficiency	Our egg production facilities are equipped with an automatic climate-control system	Optimal climate conditions for laying hens include 40-60% humidity and ambient temperature within 20-25°C. Our production facilities are equipped with sophisticated ventilation systems to keep all vital indicators at normal levels throughout the year.

RISK MANAGEMENT & INTERNAL CONTROL

COVID-19 RELATED RISKS

The Management has considered the unique circumstances arising from the COVID-19 pandemic outbreak, as well as the risk exposures of the Group, and has concluded that the event has not had an immediate material impact on the business operations in 2020. However, certain pandemic related risks have been identified as can be seen in the table below.

IMPACT	MITIGATION
Personnel safety	The steps have been taken to arrange for all the administrative staff to work from home. The employees at the factories, where working from home is not possible, are given special attention. The Company has strengthened its bio-security and sanitary controls. Every employee is provided with adequate personal protective equipment. Medical examination and monitoring on a regular basis is introduced.
Availability of cash resources and cost base	The Group is generating sufficient cash flow to cover the production costs. Raw materials that make up around 75% of the CoP come from local producers. The supply chains have not suffered due to the pandemic effects. The logistics is preserved and only minor delays occur in connection with restrictions imposed on the transportation system throughout the country and internationally.
Effects in revenue	The specifics of goods produced by the Group secures a continuous operating cash flow. Eggs belong to the basic foodstuffs and enjoy steady demand due to their high nutritional value and comparatively low price. Given the reduced solvency of the population caused by the progressing economic crisis, demand on eggs is expected to increase. In terms of export revenues it should be mentioned that an increased demand from foreign customers has been observed since the start of the pandemic, as a result of lockouts of egg producers in Europe and MENA region. Thus, the surplus of eggs, that are not sold locally, is exported at very competitive prices.
Unforeseen expenses	As of 31 December 2020, the Group has not incurred significant unforeseen expenses. The modifications of business operations mode (e.g. remote work regime) and increased security measures are not expected to require considerable financing in the near future.
Continuation of receipt of goods/ services from suppliers	As has been observed until now, no disruptions of supplies occurred. Imports of biological assets from the US (parent flock) took place despite massive problems with international transportation.

RISK MANAGEMENT & INTERNAL CONTROL

OVERVIEW

RISK MANAGEMENT

Risk management is an essential part of the decision-making process providing reasonable assurance that risks are controlled to the furthest extent possible. Risk management and internal control systems are being regularly discussed with the executive management and the Audit Committee. In their review of our risk profile, the main focus is placed on principal risks that could significantly deteriorate our operational and financial results.

It has to be noted that proper identification of risks significantly reduces but does not completely eliminate the possibility of human error, poor judgment in decision making, fraud or occurrence of unforeseeable events. The risks that we face in the course of regular operations are not limited to the risks described above, but those above are regarded as the most significant in the short-term perspective. No anti-takeover measures are in place. Some risks are yet unknown and some risks that are insignificant at the moment could become material in the future.

INTERNAL CONTROL SYSTEM

The Board of Directors is ultimately responsible for establishing, controlling and enhancing our internal control system. We consider risk management to be a continuous process of monitoring, assessing and mitigating risks through internal control sys-

tems and procedures at each level within the organization.

We use guidelines, instructions and procedures applied to operations, financial reporting, planning, human resource and customer management etc.; these are being reviewed and updated on a regular basis. Our employees are trained to implement and comply with these guidelines, instructions and procedures.

Key elements of the internal control system are budgeting, investment management, operational management and financial reporting. They monitor the progress and the actual results of the company's operating activities. We also use a staff evaluation and appraisal system. The process of enhancement of the internal control system will be continued in 2021.

For more information on risks please refer to Note 27 of the 2020 Consolidated Financial Statements.

DEFICIENCIES OF THE SYSTEM

In 2020, we did not identify any material weaknesses of the internal control system that might adversely impact our operational activity, financial results and financial position. The risks are clearly identified and controlled to the highest possible extent by our top management within their relevant function.

SHAREHOLDERS & SHARE INFORMATION

SHARE CAPITAL STRUCTURE

At 31 December 2020 total share capital of Ovostar Union PCL was 6 000 000 shares. Each share has a nominal value of one vote at the General Meeting of Shareholders.

According to publicly available information as at 31 December 2020, shareholders of Ovostar Union PCL with substantial participation of at least 5% of all votes at the General Meeting of Ovostar Union PCL shareholders are listed in the table "SHARE CAPITAL STRUCTURE AT 31 DECEMBER".

No substantial changes in shareholders' structure of Ovostar Union PCL took place in 2020.

Free float remained at the level of 32.07%.

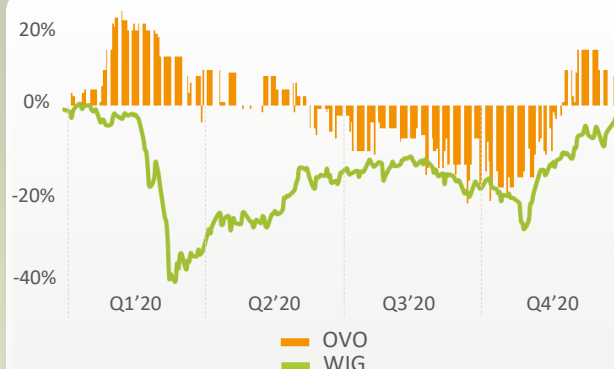
SHARE CAPITAL STRUCTURE AT 31 DECEMBER

Shareholders	2020	2019	2018
Prime One Capital Ltd	68%	68%	68%
Generali	11%	11%	10%
Fairfax Financial Holdings Ltd	5%	5%	5%
Aviva	5%	5%	5%
Others	11%	11%	12%
Total	100%	100%	100%

KEY QUOTATION INDICATORS

Share price, PLN	2020	2019	2018
Opening	75	113	88
Maximum	89	113	114
Minimum	60	70	88
Closing	83	75	113

SHARE PRICE DYNAMICS IN 2020



[signed]

Borys Bielikov

Chief Executive Officer,
Executive Director

[signed]

Karen Arshakyan

Head of Audit Committee,
Non-executive Director

[signed]

Vitalii Veresenko

Chairman of the Board,
Non-executive Director

[signed]

Sergii Karpenko

Non-executive Director

EGG INSPECTOR

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

COMPOSITION OF THE BOARD

The Company is headed by the Board of Directors, whose main function is to lead and control the company.

The number of the directors of the Company is four, the majority of whom are non-executive, out of whom two are independent within the meaning of Annex II of the European Commission Recommendation no 2005/162/WE of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. The only executive director performs duties of the Chief Executive officer.

The following composition of the Board of the Company was approved by the General Meeting on June 26, 2020:

Mr. Borys Bielokov	— Executive Director, Chief Executive Officer
Mr. Vitalii Veresenko	— Non-Executive Director, Chairman of the Board
Mr. Karen Arshakyan	— Non-Executive Independent Director
Mr. Sergey Karpenko	— Non-Executive Independent Director

BOARD OF DIRECTORS

COMPOSITION OF THE BOARD



**BORYS
BIELIKOV**

**EXECUTIVE DIRECTOR,
CEO**

Mr. Bielikov founded GC "Ovostar Union" in 1999 (till 2011 – LLC "Borispol Agro Trade"). Since 2007 and up to now he has been holding the position of group Chief Executive Officer. Mr. Bielikov gained the education as an aircrafts operation mechanic engineer at National Aviation University (1994).



**VITALII
VERESENKO**

**NON-EXECUTIVE DIRECTOR,
CHAIRMAN OF THE BOARD**

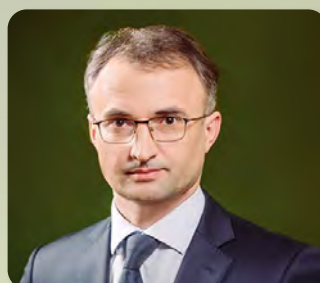
Mr. Veresenko is at GC "Ovostar Union" since 1999. Till 2001 – General Director at CJSC "Malynove", and since 2001 up to now – Head of the Supervisory Board of "Malynove" CJSC. Mr. Veresenko has diploma as automated management systems engineer of Kiev Air Defense Radio Technical Engineers College (1990).



**KAREN
ARSHAKYAN**

**NON-EXECUTIVE DIRECTOR,
HEAD OF AUDIT COMMITTEE**

Mr. Arshakyan joined the Board of Directors of Ovostar Union in June 2019. Mr Arshakyan acted as an external adviser to the Board during the Company's re-domiciliation from the Netherlands to Cyprus. Mr Arshakyan has a degree in Economics and Management of Agriculture from Institute of Agriculture of Armenia. His work record includes companies in Armenia, Canada and Cyprus.



**SERGII
KARPENKO**

NON-EXECUTIVE DIRECTOR

Mr. Karpenko served as a Deputy Head of investment policy and agrarian business in Ministry of agrarian policy of Ukraine from 1997 to 2003. After that Mr. Karpenko worked at «Union of Poultry Farmers of Ukraine» and since 2006 has been acting as an Executive Director of Union. Mr. Karpenko graduated from National agrarian university majoring in Agricultural management (1997).

BOARD OF DIRECTORS

TERMS OF REFERENCE

REPRESENTATION

Members of the Board represent Ovostar Union Group and the Board has the authority to appoint any official as a representative, and to determine the list of his/her powers. The executive director is authorized to represent the Group on his own and to sign documents on behalf of the Group. In case of a conflict of interest between the Group and one of the directors, the conflicted director may not participate in the decision-making process concerning the matter causing the conflict. Members of the Board are appointed and may be suspended or dismissed from their position by the General Meeting of Shareholders.

At each annual general meeting of the Company one-third of the directors (or if their number is not a multiple of three, the number nearest to three but not exceeding one-third) shall retire by rotation. No person (including a director retiring by rotation) shall be appointed (or reappointed) a director at a general meeting of the Company unless:

- (a) that individual is recommended by the board of directors or by a committee duly authorised by the board for the purpose; or
- (b) not less than seven nor more than 42 days before the date appointed for holding the meeting, notice executed by a Qualified Member has been given to the Company of that member's intention to propose that individual for appointment (or reappointment)

as director (stating the particulars which would, if he were so appointed, be required to be included in the Company's register of directors) together with a notice executed by that individual stating that he is willing to act as director.

SHAREHOLDING BY THE BOARD MEMBERS AND INSIDER TRADING

Securities Rules have been established, which apply to the Board members in relation to the acquisition of securities share and transactions with them. Furthermore, the conditions and requirements of the EU Market Abuse Directive and the company's Insider Trading Rules, reflecting the essence of EU Market Abuse Directive, are applicable to the Board members (and other persons related to Board Members) in relation to the acquisition of shares and equity participation.

STATEMENT OF THE BOARD OF DIRECTORS

The Board of Directors of Ovostar Union PCL hereby confirms that (1) none of the Board members is a member of any supervisory board of - or holds the position of non-executive director at more than two listed companies; (2) none of the Board members holds the position of chairman of any supervisory board - or of the board of directors, in case such board consists of executive and non-executive directors - of other companies, except for our enterprises.

BOARD OF DIRECTORS

BOARD OF DIRECTORS MEETINGS

In 2020 the Board of Directors held four (4) meetings. Due to the restrictions imposed on public gatherings and international travelling the meetings were arranged in the form of teleconferences on conditions that the minutes of the meetings in all cases were taken by the secretary of that meeting at the registered office of the company, or other premises on the territory of Cyprus and subsequently duly signed by the Head of the Board.

The main issues that were included in the agenda of the meetings of the Board during 2020 were as follows:

23-Apr-2020

The Company's external auditors, Messrs. BAKER TILLY KLITOU & PARTNERS were invited to inform the Board on the results of the audit of the 2019 financial statements. The auditors confirmed their content with the annual report. An unqualified auditor's opinion for the 2019 financial statements was issued. During the meeting the Board of Directors approved the Company's 2019 annual report.

14-May-2020

During the meeting the Board approved the Company's unaudited consolidated financial statements for the three months ended on March 31, 2020.

27-Aug-2020

During the meeting the Board approved the Company's unaudited consolidated financial statements for the six months ended on June 30, 2020.

12-Nov-2020

During the meeting the Board approved the Company's unaudited consolidated financial statements for the nine months ended on September 30, 2020.

BoD COMMITTEES

AUDIT COMMITTEE

The Board of Directors has established an Audit Committee in order to meet the necessary corporate governance requirements and to ensure the Company's financial transparency.

The Audit Committee is responsible for advising and monitoring the activities of the Board of Directors in the areas of, among other things, the completeness of financial reporting, our financial strategy, tax planning, including:

- (i) functioning of control and internal risk management systems;
- (ii) provision of financial information (including choice of the accounting policy, application of new rules and evaluation of their impact on our performance, interaction with internal and external auditors, etc.);
- (iii) monitoring the compliance of our activities with the recommendations of internal and external auditors;
- (iv) interaction with external auditors, including control of the auditor's independence, their remuneration and provision of any services outside the audit scope;
- (v) our tax planning policy;
- (vi) sources of our funding;
- (vii) review of the annual budget and capital investments of the Group.

At least one of the committee members must be a financial expert as defined in the CSE Corporate Governance Code, and all committee members must be financially literate. Our Audit Committee

satisfies these requirements.

Mr. Karen Arshakyan, a non-executive independent director of the Company acted as the Head of the Audit Committee and Mr. Karpenko continued as the second independent member of the Audit Committee.

AUDIT COMMITTEE MEETINGS

In 2020 the Audit Committee of Ovostar Union PCL held three (3) meetings.

23-Apr-2020 During the meeting the Audit Committee reviewed the auditing process for the year of 2019 and discussed the Group's Annual Report for 2019.

26-Jun-2020 Agenda of this meeting included discussion on 2020 audit process.

12-Nov-2020 During the meeting the Audit Committee discussed potential risks for the business and their possible impact on the Group's operations and results in the year of 2020.

REMUNERATION POLICY

On 26 June 2020, by a resolution of the General Meeting, the limit for the total accumulated amount of remunerating payable to the members of the Board of Directors of the company for the year 2020 was set at EUR 400 thousand.

SHAREHOLDERS MEETINGS

GENERAL MEETINGS

The Company shall in each year hold a general meeting as its annual general meeting. The annual general meeting shall be held at such time and place as the directors shall appoint, taking into account that place and date of a general meeting should be set so as to enable the participation of the highest possible number of members.

The directors may, whenever they think fit, convene an extraordinary general meeting in the same manner or in a manner as near as possible as that in which meetings may be convened by the directors.

NOTICE OF GENERAL MEETINGS

An annual general meeting shall be called by twenty-one days' notice at the least. The notice shall, specify the following:

- (a) the proposed agenda for the meeting;
- (b) the procedures in respect of the participation and voting in the meeting required to be complied with by the members entitled to attend and vote at the meeting, including:
 - (i) the right of the member to add items on the agenda of the general meeting, to table draft resolutions and to ask questions related to items on the agenda and the deadlines by which any of those rights may be exercised;

- (ii) the right of a member which is entitled to attend, to speak, ask questions and vote, to appoint a proxy;

- (c) the procedure for voting by proxy, including the forms to be used and the means by which the Company is prepared to accept electronic notification of the appointment of the proxy;

- (e) the Record Date and that only the members registered as holders of shares conferring the right to attend and vote at the meeting, as at the close of business on the Record Date, shall be entitled to attend and vote at the meeting;

- (f) where and how the full unabridged text of the documents to be submitted to the meeting may be obtained; and

- (g) the internet site at which the information which is required to be provided to members as well as the resolutions (if any) proposed by members shall be made available, subject always to the provisions of the Law.

The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting, by any person entitled to receive notice, shall not invalidate the proceedings at that meeting.

SHAREHOLDERS MEETINGS

GENERAL MEETINGS

PROCEEDINGS AT GENERAL MEETINGS

All business shall be deemed special that is transacted at an extraordinary general meeting, and also all that is transacted at an annual general meeting, with the exception of declaring a dividend, the consideration of the accounts, balance sheets, and the reports of the directors and auditors, the election of directors in the place of those retiring, if any, and the appointment of, and the fixing of the remuneration of the auditors.

No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business. Three or more members present in person or by proxy and entitled to vote shall be a quorum.

All notices and other communication relating to any general meeting which every member is entitled to receive must also be sent to the auditors and the directors of the Company. The directors and auditors shall be entitled to attend and speak at any meeting of the members. One or more directors if necessary to answer questions asked at the general meeting participate in a general meeting.

The chairman, if any, of the board of directors shall preside as chairman at every general meeting of the Company.

At any general meeting any resolution put to the vote of the meeting shall be decided by poll.

VOTES OF MEMBERS

Every member shall have one vote for each share of which he is the holder. On a poll a member entitled to more than one vote need not use all of his votes or cast all the votes he uses in the same way

On a poll votes may be given either personally or by proxy and any member and any proxy appointed by a member shall have the right to cast all or some of the votes to which such member or proxy, as the case may be, is entitled in favour of and /or against the resolution in question and/or abstain from voting on the resolution in question in respect of all or some of his votes.

The chairman of a general meeting shall not have a second or casting vote.

GOVERNANCE & CONTROL

CORPORATE GOVERNANCE CODE

The objective of corporate governance is to develop tools supporting efficient management, effective supervision, respect for shareholders' rights, and transparent communications between companies and the market. As a public company that is domiciled in Cyprus and whose shares are admitted to trading on a regulated market in Poland, Ovostar Union PCL has undertaken to adhere to Cyprus Stock Exchange Corporate Governance Code and the Code of Best Practice for WSE Listed Companies.

CSE CORPORATE GOVERNANCE CODE

The Code as updated in 2019 replaces the Corporate Governance Code issued by the Cyprus Stock Exchange Council in March 2011 and is amended in September 2012.

The aim of the proposed regulations is to strengthen the monitoring role of the Board of Directors in listed companies, protect small shareholders, adopt greater transparency and provide timely information as well as sufficiently safeguard the independence of the Board of Directors in its decision-making.

The Code includes the following sections: A. BOARD OF DIRECTORS ; B. DIRECTORS' REMUNERATION; C. ACCOUNTABILITY AND AUDIT ;D. RELATIONSHIP WITH SHAREHOLDERS.

This Code proposes the establishment of three Committees of the Board of Directors, namely the Nomination Committee, the Remuneration Committee, the Audit Committee and the Risk Management Committee. When the Board of Directors of each company, given the particularities thereof, considers it expedient to establish more committees, it may proceed therewith. The terms of reference as well as the activities of each Committee of the Board of Directors should be included in the Annual Report on Corporate Governance. Annual Report on Corporate Governance Listed companies have an obligation to include in their Annual Report, a Report by the Board of Directors on Corporate Governance as follows: In the first part of the Report, the Company should report whether it complies with the Code and the extent to which it implements its principles. In the second part of the Report, the Company should confirm that it has complied with the Code provisions and in the event that it has not, should give adequate explanation.

STATEMENT ON COMPLIANCE WITH CSE CORPORATE GOVERNANCE CODE

The Company confirms that in 2020 it complied with most provisions of the Code, except Provision B.1.1. that requires a Remuneration Committee to be established. The Company undertakes to eliminate this discrepancy during 2021.

GOVERNANCE & CONTROL

CORPORATE GOVERNANCE CODE

WSE CORPORATE GOVERNANCE RULES

Companies listed on the Warsaw Stock Exchange are guided by the Rules. In 2016 the Best Practice for GPW Listed Companies was updated according to the European Commission Recommendation of 09 April 2014 on the quality of corporate governance reporting.

The “Best Practice for GPW Listed Companies 2016” and related regulations apply to issuers of shares admitted to trading on GPW’s regulated market. The document is divided into thematic sections: Disclosure Policy, Investor Communications; Management Board, Supervisory Board; Internal Systems and Functions; General Meeting, Shareholder Relations; Conflict of Interest, Related Party Transactions; Remuneration.

Each section of the Best Practice opens with a general description of the goals to be pursued by listed companies through compliance with the provisions of the section. The recommendations that follow require the disclosure of compliance details in a statement of compliance with the corporate governance principles included in the issuer’s annual report. The detailed provisions of the Best Practice follow the ‘comply or explain’ approach.

In line with the recommendations of the European

Commission, within the limits of its powers, the Exchange will monitor the companies’ compliance with the corporate governance regulations with a special emphasis on the quality of explanations published by companies according to the ‘comply or explain’ approach.

DEVIATIONS FROM THE WSE

CORPORATE GOVERNANCE RULES

In 2020 the Company did not comply with the following requirements of the Code:

Best Practice Principle I.Z.1 - Currently we have no audio or video recording of a general meeting published at the company’s website as all the information related to the general meeting is available in writing at our website.

Additionally, we have not published the internal rule of changing the company’s auditor as the company strictly follows guidelines stated in the Directive 2014/56/EU the European Union that was adopted in April 2014 and enforced in June 2016.

Best Practice Principle II.Z.1 - Since we have a one-tier governance structure we have not published the chart describing the division of responsibilities among the BoDi because their areas of responsibility are provided in writing at the website.

NON-FINANCIAL INFORMATION

NON-FINANCIAL INFORMATION DISCLOSURE

According to the Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 we as a public entity with more than 500 employees are obliged to make the appropriate disclosure, providing information on the environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters and the way they are dealt with.

The information provided in this statement is based on the Company's (our) Code of Conduct (Annex 2.5 to the Corporate Governance Rules available in writing at our website.

ENVIRONMENTAL MATTERS

The Company is committed to conducting its operations in an environmentally sound and sustainable manner. To achieve protection of the health and safety of employees, customers and the public, the Company has established procedures and compliance programs to ensure the minimum adverse impact on the environment. Such procedures and programs are periodically being reviewed and appraised.

SOCIAL AND EMPLOYEE MATTERS

The Company recruits, employs and promotes employees on the sole basis of their qualifications and abilities (including reputation and reliability). The

Company endeavors to enable each individual to develop his or her talents in various ways (including, when appropriate, through training programs).

The Company considers safe and healthy working conditions for its employees to be fundamental. The Company believes that good communication with employees is essential.

RESPECT FOR HUMAN RIGHTS

People are the key to success of any business, and this is not different with respect to the Company. The Company recognizes that Corporate Social Responsibility is an integral part of its business practice and strategy. The Company is therefore committed to running its business to ethical, legal and professional standards.

We respect human rights as an absolute and universal standard. In countries where the Company operates, human rights of our employees are supported as appropriate in accordance with what reasonably can be expected from a similar commercial organization.

Furthermore, the Company refrains from discrimination on any basis. As a result of the above, respect for people forms a cornerstone of our Company Values.

NON-FINANCIAL INFORMATION

NON-FINANCIAL INFORMATION DISCLOSURE

ANTI-CORRUPTION AND BRIBERY MATTERS

In dealing with customers and suppliers, which may include governmental bodies, the Company expects its managers and employees neither to give nor to receive bribes or anything of value in order to retain or bestow business or financial advantages. The employees of the Company are directed that any demand for or offer of such bribe or anything of value must be immediately rejected.

Accepting business entertainment and providing reasonable business entertainment in the course of the Company's business is acceptable.

The Company does not participate in party politics or makes payments to political parties or to the

funds of groups whose activities are directed at promoting a party's political interests.

When dealing with governments or governmental agencies the Company is encouraged to promote and defend its legitimate commercial objectives. The Company may do so directly or through bodies such as trade associations.

The Company is encouraged to respond to requests from governments and other agencies for legitimate and relevant information, observations or opinions on issues relevant to its business and to participate in the development of proposed legislation or regulations in areas which may have an effect on its legitimate interests.

[signed]

.....
Borys Bielikov
 Chief Executive Officer,
 Executive Director

[signed]

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

[signed]

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

[signed]

.....
Sergii Karpenko
 Non-executive Director

The background of the slide is a blurred photograph of a laboratory setting. It features several glass flasks and test tubes containing liquids of different colors, including yellow and orange. The equipment is metallic and appears to be part of a scientific experiment. Overlaid on this background are several decorative curved lines in green and yellow, which frame the central text box.

FINANCIAL STATEMENTS

STATEMENT OF DIRECTORS RESPONSIBILITY

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view of the financial position of Ovostar Union Public Company Limited (the “Company”) and its subsidiaries (the “Group”) as of 31 December 2020 and of the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

STATEMENT OF THE MEMBERS OF THE BOARD OF DIRECTORS

Members of the Board of Directors of Ovostar Union Public Company Limited in accordance with Subsection (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:

- a) The present annual consolidated 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, and
- (b) The Management report includes a fair review of the development and performance of the business and the position of the Group included in the consolidated accounts as a whole, together with a description of the principal risks and uncertainties that they face.

22 April 2021

[signed]

.....

Borys Bielikov

Chief Executive Officer,
Executive Director

[signed]

.....

Vitalii Veresenko

Chairman of the Board,
Non-executive Director

[signed]

.....

Karen Arshakyan

Head of Audit Committee,
Non-executive Director

[signed]

.....

Sergii Karpenko

Non-executive Director

OVOSTAR UNION PCL AND ITS SUBSIDIARIES CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020 (in USD thousand, unless otherwise stated)

	Note	2020	2019
Revenue	8	98 907	104 654
Changes in fair value of biological assets	17	(3 742)	(23 316)
Cost of sales	9	(81 746)	(87 640)
Gross profit (loss)		13 418	(6 302)
Other operating income	12	2 346	523
Selling and distribution costs	10	(7 621)	(8 886)
Administrative expenses	11	(3 625)	(2 878)
Other operating expenses	13	(476)	(1 859)
Operating profit (loss)		4 042	(19 402)
Finance costs	14	(1 320)	(924)
Finance income	15	58	73
Profit (Loss) before tax		2 780	(20 253)
Income tax expense	16	(188)	237
Profit (Loss) for the period		2 592	(20 016)
Other comprehensive income			
Items that are or may be reclassified to profit or loss:			
Exchange differences on translation to presentation currency		(19 139)	20 935
Other comprehensive income for the period, net of tax		(19 139)	20 935
Total comprehensive income for the period, net of tax		(16 547)	919
Profit for the period attributable to:			
Equity holders of the parent company		2 702	(20 014)
Non-controlling interests		(111)	(2)
Total profit (loss) for the period		2 592	(20 016)
Other comprehensive income attributable to:			
Equity holders of the parent company		(18 848)	20 632
Non-controlling interests		(291)	303
Total other comprehensive income		(19 139)	20 935
Total comprehensive income attributable to:			
Equity holders of the parent company		(16 145)	618
Non-controlling interests		(402)	301
Total comprehensive income		(16 547)	919
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)		0.45	(3.34)

[signed]

.....
Borys Bielikov
 Chief Executive Officer,
 Executive Director

[signed]

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

[signed]

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

[signed]

.....
Sergiy Karpenko
 Non-executive Director

[signed]

.....
Vitalii Sapozhnik
 Chief Financial Officer

OVOSTAR UNION PCL AND ITS SUBSIDIARIES CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2020 (in USD thousand, unless otherwise stated)

	Note	31 December 2020	31 December 2019
Assets			
Non-current assets			
Biological assets	17	40 234	35 202
Property, plant and equipment and intangible assets	18	47 943	58 325
Deferred tax assets	16	11	73
Other non-current assets	19	20	96
Total non-current assets		88 209	93 696
Current assets			
Inventories	20	13 216	12 297
Biological assets	17	11 138	15 557
Trade and other receivables	21	15 865	17 734
Prepayments to suppliers	22	1 233	2 022
Prepayments for income tax	23	27	31
Cash and cash equivalents	24	1 626	4 478
Total current assets		43 105	52 119
Total assets		131 314	145 815
Equity and liabilities			
Equity			
Issued capital	25	74	78
Share premium		30 933	30 933
Foreign currency translation reserve		(129 954)	(111 110)
Retained earnings		199 931	219 945
Result for the period		2 702	(20 014)
Equity attributable to equity holders of the parent		103 687	119 832
Non-controlling interests	7	718	1 119
Total equity		104 404	120 951
Non-current liabilities			
Interest-bearing loans and other financial liabilities	26	5 172	4 435
Deferred tax liability	16	311	269
Total non-current liabilities		5 483	4 704
Current liabilities			
Trade and other payables	27	12 379	10 694
Deferred income	12	3 149	3 042
Advances received	28	306	469
Interest-bearing loans and other financial liabilities	26	5 593	5 955
Total current liabilities		21 427	20 160
Total liabilities		26 910	24 864
Total equity and liabilities		131 314	145 815

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Borys BielikovChief Executive Officer,
Executive Director

[signed]

.....

Vitalii VeresenkoChairman of the Board,
Non-executive Director

[signed]

.....

Karen ArshakyanHead of Audit Committee,
Non-executive Director

[signed]

.....

Sergiy Karpenko

Non-executive Director

[signed]

.....

Vitalii Sapozhnik

Chief Financial Officer

OVOSTAR UNION PCL AND ITS SUBSIDIARIES CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020 (in USD thousand, unless otherwise stated)

	Attributable to equity holders of the parent company					Total	Non-controlling interests	Total equity
	Issued capital	Share premium	Foreign currency translation reserve	Retained earnings	Result for the period			
As at 31 December 2018	68	30 933	(131 732)	209 284	17 441	125 994	818	126 812
Profit for the period	-	-	-	-	(20 014)	(20 014)	(2)	(20 016)
Other comprehensive income	-	-	20 632	-	-	20 632	303	20 935
Total comprehensive income	-	-	20 632	-	(20 014)	618	301	919
Allocation of prior period result	-	-	-	17 441	(17 441)	-	-	-
Dividends	-	-	-	(6 780)	-	(6 780)	-	(6 780)
Exchange differences	10	-	(10)	-	-	-	-	-
As at 31 December 2019	78	30 933	(111 110)	219 945	(20 014)	119 832	1 119	120 951
Profit for the period	-	-	-	-	2 702	2 702	(111)	2 592
Other comprehensive income	-	-	(18 848)	-	-	(18 848)	(291)	(19 139)
Total comprehensive income	-	-	(18 848)	-	2 702	(16 145)	(401)	(16 547)
Allocation of prior period result	-	-	-	(20 014)	20 014	-	-	-
Dividends	-	-	-	-	-	-	-	-
Exchange differences	(4)	-	4	-	-	-	-	-
As at 31 December 2020	74	30 933	(129 954)	199 931	2 702	103 687	718	104 404

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Borys Bielikov
 Chief Executive Officer,
 Executive Director

[signed]

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Vitalii Veresenko
 Chairman of the Board,
 Non-executive Director

[signed]

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Karen Arshakyan
 Head of Audit Committee,
 Non-executive Director

[signed]

.....
Sergiy Karpenko
 Non-executive Director

[signed]

.....
Vitalii Sapozhnik
 Chief Financial Officer

OVOSTAR UNION PCL AND ITS SUBSIDIARIES CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020 (in USD thousand, unless otherwise stated)

	Note	2020	2019
Operating activities			
(Loss) / profit before tax		2 780	(20 253)
Depreciation of property, plant and equipment and amortisation of intangible assets	9, 10, 11	3 912	3 869
Net change in fair value of biological assets	17	3 742	23 316
Disposal of property, plant and equipment		3	1 477
Disposal of biological assets		2 977	2 232
(Increase)/Decrease in other non-current assets		76	(30)
Finance income		(58)	(73)
Finance costs		1 320	924
Recovery of assets previously written-off	12	20	(71)
Government subsidies	12	(254)	(239)
Expected credit loss on doubtful accounts receivable and prepayments to suppliers	13	373	101
Working capital adjustments:			
(Increase)/Decrease in trade and other receivables	21	2 762	(64)
Decrease/(Increase) in prepayments to suppliers	22	1 143	(515)
Decrease/(Increase) in inventories	20	(2 579)	5 164
Decrease/(Increase) in trade and other payables and advances received	27,28	(1 216)	1 465
Decrease in other non-current assets		76	-
		15 077	17 303
Income tax paid		(55)	-
Net cash flows from operating activities		15 022	17 303
Investing activities			
Purchase of property, plant and equipment		(2 476)	(11 560)
Increase in biological assets	17	(15 569)	(13 145)
Government subsidies		826	2 952
Effect of acquiring new companies			-
Loans issued to third parties			-
Net cash flows used in investing activities		(17 219)	(21 753)
Financing activities			
Proceeds from borrowings		4 419	5 026
Repayment of borrowings		(4 936)	(4 030)
Interest received		58	56
Interest paid		(292)	(225)
Payment of dividends			(6 730)
Net cash flows used in financing activities		(752)	(5 903)
Net (decrease)/increase in cash and cash equivalents		(2 949)	(10 353)
Effect from translation into presentation currency		97	485
Cash and cash equivalents at 1 January		4 478	14 346
Cash and cash equivalents at 31 December		1 626	4 478

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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Borys Bielikov
Chief Executive Officer,
Executive Director

[signed]
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Vitalii Veresenko
Chairman of the Board,
Non-executive Director

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

[signed]
.....
Sergiy Karpenko
Non-executive Director

[signed]
.....
Vitalii Sapozhnik
Chief Financial Officer

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes on pages 44-84 form an integral part of these financial statements

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 December 2020 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 29.

Total number of employees were presented as follows:

	31 December 2020	31 December 2019
Production personnel	1 353	1 374
Administrative personnel	190	216
Total	1 543	1 590

The Group is controlled by the Beneficial Owners – Mr. Borys Bielikov and Mr. Vitalii Veresenko (hereinafter, the “Beneficial Owners”)

The consolidated financial statements for the year ended 31 December 2020 were authorized by the Board of Directors on 22 April 2021.

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 bases</u>
<i>Biological assets</i>	<i>Fair value less costs to sell</i>

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.

Assessing the ability of the companies of the Group to continue as a going concern the management have focused on the following key factors that are crucial for maintaining liquidity – 1) the Group’s potential to generate positive cash-flow and 2) availability of external financing.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes on pages 44-84 form an integral part of these financial statements

As of 31 December 2020 the companies of the Group had unutilized credit facilities in total amount of EUR 8 100 thousand available on demand.

The credit facility provided by OTP bank (Ukraine) has the total limit of EUR 6 300 thousand, the unused portion is EUR 4 100 thousand, that is fully collateralized. The date of repayment is October 2024, the interest rate is fixed at the level of 3% p.a. + EURIBOR. Apart from that, companies of the Group can make draw-downs from the overdraft facility provided by the bank in the maximum amount of UAH 20 000 thousand.

The revolving credit facility provided by Prime One Capital Ltd (Cyprus) in total amount of EUR 6 000 thousand, the unused portion is EUR 4 000 thousand, provides for the repayment date July 2022 and fixed interest rate 3% p.a.

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 2020 and 2019, 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:

	Closing rate as at 31 December 2020	Closing rate as at 31 December 2019
USD/UAH	28.2746	23.6862
EUR/UAH	34.7396	26.4220
USD/PLN	3.7230	3.7952
EUR/USD	1.2264	1.1217

	Average rate for the 1st quarter 2020	Average rate for the 2d quarter 2020	Average rate for the 3d quarter 2020	Average rate for the 4th quarter 2020
USD/UAH	25.0525	26.9143	27.5996	28.2678
EUR/UAH	27.6154	29.6028	32.2429	33.6965
USD/PLN	3.9220	4.1000	3.7995	3.7740
EUR/USD	1.1032	1.1011	1.1687	1.1925

	Average rate for the 1st quarter 2019	Average rate for the 2d quarter 2019	Average rate for the 3d quarter 2019	Average rate for the 4th quarter 2019
USD/UAH	27.3058	26.5615	25.2613	24.2606
EUR/UAH	31.0293	29.8327	28.1009	26.8544
USD/PLN	3.7917	3.8125	3.8907	3.8725
EUR/USD	1.1358	1.1240	1.1120	1.1074

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes on pages 44-84 form an integral part of these financial statements

3. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2020. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes on pages 44-84 form an integral part of these financial statements

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes on pages 44-84 form an integral part of these financial statements

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 one: Measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level two: 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 three: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes on pages 44-84 form an integral part of these financial statements

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:

- i. the Group's business model for managing the related assets portfolio and
- ii. the cash flow characteristics of the asset.

As at 31 December 2020 and 31 December 2019 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:

- i. solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows") or
- ii. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes on pages 44-84 form an integral part of these financial statements

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 pass-through 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.

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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.

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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 December 2020 and 31 December 2019 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.

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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 straight-line 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

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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.

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Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable 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.

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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.

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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 2020, Ukrainian corporate income tax was levied at a rate of 18% (2019: 18%).

The majority of the Group companies that are involved in agricultural production (poultry farms and other entities engaged in agricultural production) benefit substantially from the status of an agricultural producer. These companies are exempt from income taxes and pay the Fixed Agricultural Tax instead (Note 16).

5.21. Value Added Tax

For the year ended 31 December 2020 and 2019, 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 2020 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. Under the applicable legislation, agricultural producers are entitled to use VAT benefit regarding agricultural transactions.

Government grants related to VAT

Upon introduction of a new agricultural support system in early 2017, Ukraine canceled specific VAT subsidies.

Early in 2016, under this program, the Group's companies are subject to special tax treatment for VAT (Note 12.b). The Group's enterprises, which qualify as agricultural producers, are entitled to retain the net VAT payable. VAT amounts payable are not transferred to the State, but credited to the entity's separate special account to support the agriculture activities of the Group. Net result on VAT operations, calculated as excess of VAT liability over VAT credit is charged to profit or loss. VAT receivable exceeding VAT liability is used as a reduction in tax liabilities of the next period.

In 2017, the State Budget for agricultural support envisages that support automatically distributed among agricultural producers proportionally based on sales of agricultural products by those producers on a monthly basis. The budget subsidy for a sector is calculated on a monthly basis and is proportional to overall VAT paid. According to the Law of Ukraine On Agricultural Support, all agricultural producers that apply for the subsidy must be included in the State Registry of Budget Subsidy Recipients. An agricultural producer is defined as a farm or a company that derived 75% of its sales over the last 12 reporting periods (months) from sales of agricultural products. From 2017 onwards, budget subsidies will be provided until 1 January 2022. The agricultural producers will be engaged in the production of farm animals, as well as fruit and vegetable farmers. For each agricultural producer, the amount of the subsidy is not to exceed the amount of VAT tax paid by the producers, and will be distributed on a monthly basis (Note 12.a).

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.

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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 year ended 31 December 2020 has been revised in order to achieve comparability with the presentation used in the consolidated financial statements for the year ended 31 December 2020. Such reclassifications and revisions were not significant to the Group's consolidated financial statements.

6. NEW AND AMENDED STANDARDS

Pronouncement	Effective date
Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)	1 January 2018
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
Definition of a Business (Amendments to IFRS 3)	1 January 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	1 January 2020
Covid-19-Related Rent Concessions (Amendment to IFRS 16)	1 June 2020

The following amended standards became effective from 1 January 2020, but did not have any material impact on the Group:

a) New and amended standards and interpretations adopted

The Group has not adopted the following new standards and amendments to standards, including any consequential amendments to other standards:

IFRS	Issue date	Effective date:
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 <i>Insurance Contracts</i> as of 1 January 2023.	18 May 2017	Applicable to annual reporting periods beginning on or after 1 January 2023 Not yet endorsed for use in the EU.
Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4) Amends IFRS 4 <i>Insurance Contracts</i> 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.	12 September 2016	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.

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New and amended standards and interpretations adopted (continued)

IFRS	Issue date	Effective date:
Amendments to References to the Conceptual Framework in IFRS Standards Together with the revised <i>Conceptual Framework</i> published in March 2018, the IASB also issued <i>Amendments to References to the Conceptual Framework in IFRS Standards</i>. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised <i>Conceptual Framework</i>. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASB framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised <i>Conceptual Framework</i>.	29 March 2018	Annual periods beginning on or after 1 January 2020
Definition of a Business (Amendments to IFRS 3) The amendments in <i>Definition of a Business (Amendments to IFRS 3)</i> are changes to Appendix A <i>Defined terms</i>, the application guidance, and the illustrative examples of IFRS 3 only. They: • clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; • narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; • add guidance and illustrative examples to help entities assess whether a substantive process has been acquired; • remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and • add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.	22 October 2018	Business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020
Definition of Material (Amendments to IAS 1 and IAS 8) The amendments in <i>Definition of Material (Amendments to IAS 1 and IAS 8)</i> clarify the definition of 'material' and align the definition used in the <i>Conceptual Framework</i> and the standards.	31 October 2018	Annual reporting periods beginning on or after 1 January 2020
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) The amendments in <i>Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)</i> clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.	26 September 2019	Annual reporting periods beginning on or after 1 January 2020

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New and amended standards and interpretations adopted (continued)

IFRS	Issue date	Effective date:
<i>Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)</i> 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.	23 January 2020	Annual reporting periods beginning on or after 1 January 2023 Not yet endorsed for use in the EU.
<i>Reference to the Conceptual Framework (Amendments to IFRS 3)</i> The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.	14 May 2020	Annual reporting periods beginning on or after 1 January 2022 Not yet endorsed for use in the EU.
<i>Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)</i> 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.	14 May 2020	Annual reporting periods beginning on or after 1 January 2022 Not yet endorsed for use in the EU.
<i>Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)</i> 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).	14 May 2020	Annual reporting periods beginning on or after 1 January 2022 Not yet endorsed for use in the EU.
<i>Annual Improvements to IFRS Standards 2018–2020</i> Makes amend-ments 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.	14 May 2020	Annual reporting periods beginning on or after 1 January 2022 Not yet endorsed for use in the EU.

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New and amended standards and interpretations adopted (continued)

IFRS	Issue date	Effective date:
<i>Covid-19-Related Rent Concessions (Amendment to IFRS 16)</i> The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.	28 May 2020	Annual reporting periods beginning on or after 1 June 2020
<i>Amendments to IFRS 17</i> Amends IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 <i>Insurance Contracts</i> 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 nonfinancial 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	25 June 2020	Annual reporting periods beginning on or after 1 January 2023 Not yet endorsed for use in the EU.
<i>Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)</i> The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 <i>Insurance Contracts</i> from applying IFRS 9 <i>Financial Instruments</i> , so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.	25 June 2020	Immediately available
<i>Classification of Liabilities as Current or Non-current — Deferral of Effective Date (Amendment to IAS 1)</i> 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.	15 July 2020	Immediately available. Not yet endorsed for use in the EU.

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New and amended standards and interpretations adopted (continued)

IFRS	Issue date	Effective date:
Interest Rate Benchmark Reform — Phase 2 (Amend-ments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) The amendments in <i>Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)</i> 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.	27 August 2020	Annual reporting periods beginning on or after 1 January 2021
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.	12 February 2021	Annual reporting periods beginning on or after 1 January 2023 Not yet endorsed for use in the EU.
Definition of Accounting Estimates (Amend-ments 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.	12 February 2021	Annual reporting periods beginning on or after 1 January 2023 Not yet endorsed for use in the EU.
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.	31 March 2021	Annual reporting periods beginning on or after 1 April 2021 Not yet endorsed for use in the EU.

The management expects that the above standards, when effective, will not have a material effect on the consolidated financial statements of the Group in future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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7. SUBSIDIARIES AND NON-CONTROLLING INTERESTS

As at 31 December 2020 and 2019 the Group included the following subsidiaries:

Name of the company	Business activities	31 December 2020	31 December 2019
Limited Liability Company "Ovostar Union"	Strategic management of subsidiary companies in Ukraine	100.0%	100.0%
Limited Liability Company "Ovostar"	Egg-products production and distribution (Ukraine)	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%
Public Joint Stock Company "Poultry Farm Ukraine"	Production of shell eggs, assets holding (Ukraine)	92.0%	92.0%
Public Joint Stock Company "Malynove"	Production of shell eggs, assets holding (Ukraine)	94.0%	94.0%
Public Joint Stock Company "Krushynskyy Poultry Complex"	Trading company, egg trading – non operational activity (Ukraine)	76.0%	76.0%
Limited Liability Company "Skybynsky Fodder Plant"	In the process of liquidation (Ukraine)	98.6%	98.6%
"SIA" Ovostar Europe"	Trade company (Latvia)	89.0%	89.0%
SIA "Gallusman"	Production of shell eggs (Latvia)	89.0%	89.0%
SIA "EPEX"	Egg-products production (Latvia)	89.0%	89.0%
International Food Trade Limited	Trade company (British Virgin Islands)	100.0%	100.0%
OAE Food Trade FZE	Trade company (United Arab Emirates)	100.0%	100.0%
Limited Liability Company "BVG EQUIPMENT"	Non-operational activity (Ukraine)	0.0%	100.0%
Limited Liability Company "BV TRADING"	Non-operational activity (Ukraine)	0.0%	100.0%
*REMEDIUM FOODS B.V.	Egg processing, distribution of egg products	50.00%	0.0%

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

31 December 2020	PJSC "Poultry Farm Ukraine "	PJSC "Malynove "	PJSC "Krushynsk yy Poultry Complex"	"SIA" Ovostar Europe	SIA "Gallusman "	SIA "EPEX"	Total
NCI percentage	8,00%	6,00%	24,00%	11,00%	11,00%	11,00%	
Non-current assets	534	20 302	0	9	365	56	
Current assets	3 587	5 034	533	5 515	114	108	
Non-current liabilities	-	-	-	-	-	-	
Current liabilities	(515)	(20 001)	(6)	(6 077)	(69)	(174)	
Net assets	3 606	5 335	527	(553)	410	(10)	
Carrying amount of NCI	288	320	127	(61)	45	(1)	718
Revenue	2 376	8 276	-	25 968	2	88	
Profit (loss)	70	(1 953)	(4)	3	21	(5)	
OCI	(870)	(1 148)	(110)	(1 178)	34	(1)	
Total comprehensive income	(799)	(3 100)	(115)	(1 175)	55	(7)	
Profit (loss) allocated to NCI	6	(117)	(1)	0	2	(1)	(111)
OCI allocated to NCI	(70)	(69)	(26)	(130)	4	(0)	(291)
Cash flows from operating activities	2	1	(0)	(280)	(0)	-	
Cash flows from investment activities	-	-	-	(9)	(11)	-	
Cash flows from financing activities (dividend to NCI: nil)	-	-	-	-	-	-	
Net (decrease)/ increase in cash and cash equivalents	1	0	(0)	(271)	5	-	

31 December 2019	PJSC "Poultry Farm Ukraine "	PJSC "Malynove "	PJSC "Krushynsk yy Poultry Complex"	"SIA" Ovostar Europe	SIA "Gallusman "	SIA "EPEX"	Total
NCI percentage	8,00%	6,00%	24,00%	11,00%	11,00%	11,00%	
Non-current assets	2 182	21 189	-	(66)	242	31	
Current assets	3 139	11 975	632	4 537	187	93	
Non-current liabilities	-	-	(3)	-	-	-	
Current liabilities	(916)	(24 729)	13	(5 093)	(74)	(127)	
Net assets	4 405	8 435	642	622	355	(3)	
Carrying amount of NCI	352	506	154	68	39	-	1 119
Revenue	1 689	7 934	-	24 648	10	1	
Profit (loss)	(876)	374	4	446	(30)	(7)	
OCI	1 883	1 647	93	(135)	389	-	
Total comprehensive income	1 007	2 021	97	311	359	(7)	
Profit (loss) allocated to NCI	(70)	22	1	49	(3)	(1)	(2)
OCI allocated to NCI	152	100	22	(14)	43	-	303
Cash flows from operating activities	-	69	-	(724)	-	-	
Cash flows from investment activities	-	(3 020)	-	-	-	-	
Cash flows from financing activities (dividend to NCI: nil)	(1)	2 952	-	-	18	-	
Net (decrease)/ increase in cash and cash equivalents	(1)	1	-	(724)	18	-	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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
Oilseed operations segment	sales of sunflower oil, rapeseed oil and related 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 year ended 31 December 2020 and 2019:

2020	Operations segment		
	Egg	Egg products	Consolidated
Revenue	125 272	45 242	170 514
Inter-segment revenue	(56 479)	(15 128)	(71 607)
Revenue from external buyers	68 793	30 114	98 907
Profit(Loss) before tax	1 248	1 532	2 780

2019	Operations segment		
	Egg	Egg products	Consolidated
Revenue	137 329	50 043	187 372
Inter-segment revenue	(66 246)	(16 472)	(82 718)
Revenue from external buyers	71 083	33 571	104 654
Profit(Loss) before tax	(21 579)	1 326	(20 253)

In 2020 and 2019 no sales were settled by barter transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Segment assets, liabilities and other information regarding segments as at 31 December 2020 and 2019 were presented as follows:

31 December 2020	Operations segment		Oilseed	Consolidated
	Egg	Egg products		
Total segment assets	113 728	17 586		131 314
Total segment liabilities	26 418	492		26 910
Addition to property, plant and equipment and intangible assets	2 181	583		2 764
Net change in fair value of biological assets and agricultural produce	(3 742)	-		(3 742)
Depreciation and amortization	(3 469)	(443)		(3 912)
Interest income	33	9		42
Interest on debts and borrowings	(449)	-		(449)
Income tax expense	(76)	(112)		(188)

31 December 2019	Operations segment		Oilseed	Consolidated
	Egg	Egg products		
Total segment assets	130 039	15 669	107	145 815
Total segment liabilities	23 768	1 096	-	24 864
Addition to property, plant and equipment and intangible assets	11 077	483	-	11 560
Net change in fair value of biological assets and agricultural produce	(23 316)	-	-	(23 316)
Depreciation and amortization	(3 483)	(377)	(9)	(3 869)
Interest income	49	24	-	73
Interest on debts and borrowings	(548)	-	-	(548)
Income tax expense	239	(2)	-	237

The following table presents information about revenue from external buyers divided by geographic location for the year ended 31 December 2020 and 2019:

Year ended 31 December 2020	Operations segment		Consolidated
	Egg	Egg products	
Type of goods or service			
Goods	68 395	29 985	98 380
Services	398	129	527
Total revenue from contracts with customers	68 793	30 114	98 907
Geographical markets			
Ukraine	46 071	13 032	59 103
Middle East	15 621	3 231	18 852
European Union	4 347	11 365	15 712
CIS	358	22	381
Africa	2	714	716
Other	2 394	1 750	4 144
Total revenue from contracts with customers	68 793	30 114	98 907

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Revenue from external buyers divided by geographic location (continued)

Year ended 31 December 2019	Operations segment		Consolidated
	Egg	Egg products	
Type of goods or service			
Goods	71 044	33 568	104 612
Services	39	3	42
Total revenue from contracts with customers	71 083	33 571	104 654
Geographical markets			
Ukraine	36 516	17 351	53 867
Middle East	26 807	4 241	31 048
European Union	5 712	10 607	16 319
CIS	173	36	209
Africa	808	251	1 059
Other	1 067	1 085	2 152
Total revenue from contracts with customers	71 083	33 571	104 654

9. COST OF SALES

	2020	2019
Costs of inventories recognised as an expense	(60 639)	(58 686)
Packaging costs	(7 489)	(7 585)
Cost of goods purchased for resale	(622)	(6 884)
Wages, salaries and social security costs	(7 722)	(8 459)
Amortisation, depreciation and impairment	(3 466)	(3 417)
Other expenses	(1 809)	(2 609)
Total	(81 746)	(87 640)

10. SELLING AND DISTRIBUTION COSTS

	2020	2019
Transportation expenses	(4 987)	(6 461)
Wages, salaries and social security costs	(1 031)	(719)
Cost of materials	(590)	(680)
Marketing and advertising expenses	(143)	(99)
Amortisation, depreciation and impairment	(94)	(80)
Other expenses	(776)	(847)
Total	(7 621)	(8 886)

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11. ADMINISTRATIVE EXPENSES

	2020	2019
Wages, salaries and social security costs	(1 352)	(1 145)
Legal, audit and other professional fees	(425)	(372)
Service charge expenses	(964)	(598)
Cost of materials	(177)	(240)
Amortisation, depreciation and impairment	(351)	(372)
Other expenses	(355)	(151)
Total	(3 625)	(2 878)

12. OTHER OPERATING INCOME

	Note	2020	2019
Income from refund under the special legislation:			
Government subsidies	a)	254	239
Total income from refund under the special legislation		254	239
Insurance compensation	b)	1 805	-
Gain on recovery of assets previously written off		20	71
Gain on disposal of property plant and equipment		-	6
Other income		267	207
Total		2 346	523

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

On 7 February 2018, the Cabinet of Ministers of Ukraine approved the procedure to obtain livestock sector state support. During the year ended 31 December 2020, the Group received government grants in accordance to the compensation program for construction and reconstruction of livestock farms in an amount of USD 826 thousand (2019: USD 2 952 thousand. 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 December 2021 is USD 3 149 thousand (2019: USD 3 042 thousand).

b) Insurance compensation

In July 2020 the Company has received insurance recovery in amount of USD 1 805 thousand for the loss of fixed assets destroyed in the fire accident in August 2019.

13. OTHER OPERATING EXPENSES

	2020	2019
Impairment of doubtful accounts receivable and prepayments to suppliers	(373)	(101)
Disposals of fixed assets	(28)	(1 477)
Fines and penalties	(20)	(36)
Other expenses	(55)	(245)
Total	(476)	(1 859)

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14. FINANCE COST

	2020	2019
Interest on debts and borrowings	(449)	(548)
Interest on financial lease	-	-
Foreign currency exchange loss	(871)	(376)
Total	(1 320)	(924)

15. FINANCE INCOME

	2020	2019
Interest income	42	73
Other financial income	16	-
Total	58	73

16. INCOME TAX

Companies of the Group that are involved in agricultural production pay the Fixed Agricultural Tax (the FAT) in accordance with the applicable laws. The FAT is paid in lieu of corporate income tax, land tax, duties for geological survey works and duties for trade patents.

The FAT is calculated by local authorities and depends on the area and valuation of land occupied. This tax regime is valid indefinitely. FAT does not constitute an income tax, and as such, is recognized in the statement of comprehensive income in administrative expenses.

During the year ended 31 December 2020 and 2019, the Group companies which have the status of the Corporate Income Tax (the "CIT") payers in Ukraine were subject to income tax at a 18% rate. The deferred income tax assets and liabilities as of 31 December 2020 were measured based on the tax rates expected to be applied to the period when the temporary differences are expected to reverse.

	2020	2019
Current income tax	(52)	(2)
Deferred tax	(136)	239
Income tax (expense)/benefit reported in the income statement	(188)	237

The major components of income tax expense for year ended 31 December 2020 and 2019 were:

	2020	2019
Accounting profit before income tax	2 780	(20 253)
At Ukraine's statutory income tax rate of 18% (2019: 18%)	500	(3 646)
Tax effect of:		
Income generated by FAT payers (exempt from income tax)	339	(412)
Current year losses for which no deferred tax asset was recognised at a rate of 0%	477	513
(1)		
Effect of expenses that are not deductible in determining taxable profit	(1 160)	3 366
Effect of translation to presentation currency	32	(58)
Income tax expense/(benefit)	188	(237)

Reconciliation between tax expense and the product of accounting profit multiplied by Ukraine's domestic tax rate for the years ended 31 December 2020 and 2019 was as follows:

- (1) Current year (income)/losses for which no deferred tax asset was recognized relate to Ovostar Union Public Company Limited, the Cyprus company and International Food Trade Limited. The income tax rate in the BVI is 0%, Cyprus is 12.5%, Latvia is 0%.

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Deferred tax

As at 31 December 2020 and 2019, deferred tax assets and liabilities comprised the following:

	31 December 2020	Recognized in statement of comprehensive income	Effect of trans- lation into presentation currency	31 December 2019
Advances received and other payables	7	3	(1)	5
Prepayments to suppliers	2	(1)	(1)	4
Trade and other receivables	2	(5)	(2)	9
Inventories	-	(47)	(9)	56
Tax losses	550	-	(106)	656
Unrecognized deferred tax assets	(550)	0	106	(656)
Netted off against deferred tax assets	11	(50)	(13)	73
Property, plant and equipment and intangi- ble assets	(300)	(87)	41	(255)
Trade and other receivables	-	1	0	(1)
Advances received and other payables	(11)	1	2	(14)
Netted off against deferred tax liabilities	(311)	(85)	43	(269)
Net deferred tax asset/(liability)	(300)	(135)	30	(196)

	31 December 2019	Recognized in statement of comprehensive income	Effect of trans- lation into presentation currency	31 December 2018
Advances received and other payables	5	4	1	-
Prepayments to suppliers	4	(18)	3	19
Trade and other receivables	9	(52)	8	53
Inventories	55	(40)	13	82
Tax losses	656	396	36	224
Unrecognized deferred tax assets	(656)	(391)	(39)	(226)
Netted off against deferred tax assets	73	(101)	22	152
Property, plant and equipment and intangi- ble assets	(254)	340	(77)	(517)
Trade and other receivables	(1)	(1)	-	-
Advances received and other payables	(14)	1	(3)	(12)
Netted off against deferred tax liabilities	(269)	340	(80)	(529)
Net deferred tax asset/(liability)	(196)	239	(58)	(377)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are presented in the consolidated statement of financial position as at 31 December 2020 and 2019:

	31 December 2020	31 December 2019
Non-current assets	11	73
Long term liabilities	(311)	(269)
Net deferred tax asset/(liability)	(300)	(196)

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17. BIOLOGICAL ASSETS

As at 31 December 2020 and 2019 commercial and replacement poultry were presented as follows:

	31 December 2020		31 December 2019	
	Number, thousand heads	Carrying value	Number, thousand heads	Carrying value
Non-current biological assets				
<i><u>Replacement poultry</u></i>				
Hy-line	4 381	40 234	3 827	35 202
Total non-current biological assets	4 381	40 234	3 827	35 202
Current biological assets				
<i><u>Commercial poultry</u></i>				
Hy-line	3 612	11 138	4 234	15 557
Total current biological assets	3 612	11 138	4 234	15 557
Total biological assets	7 993	51 371	8 061	50 759

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 year ended 31 December 2020 and 2019 was presented as follows:

	2020	2019
As at 01 January	50 759	53 789
Increase in value as a result of assets acquisition	1 581	405
Increase in value as a result of capitalization of cost	13 988	12 739
Income/(Losses) from presentation of biological assets at fair value	(3 742)	(23 316)
Decrease in value as a result of assets disposal	(2 977)	(2 232)
Exchange differences	(8 237)	9 374
As at 31 December	51 372	50 759

For the year ended 31 December 2020 the Group produced shell eggs in the quantity of 1 671 mln items (31 December 2019: 1 587 mln).

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 14.10% (31 December 2019: 14.00%). 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.

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 December 2020.

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Value measurement is a maximum value exposed to the following assumptions which were used in fair value calculations of biological assets (Based on the current situation in Ukraine):

	2020	2019
Eggs sale price, USD per item (UAH per item)	0.071 (2.02)	0.069 (1.63)
Discount rate, %	14.10%	16.87%
Long-term inflation rate of Ukrainian hryvnia, %	1.05	1.04
Maximum poultry life time, days	770	770

Changes in key assumptions that were used in fair value estimation of biological assets had the following influence on the value of biological assets as at 31 December 2020 and 2019:

	2020	2019
1% decrease in egg sale price	(1 197)	(701)
1% increase in discount rate	(691)	(664)
1% increase in long-term inflation rate of Ukrainian hryvnia	61	17

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18. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Buildings	Plant and equipment	Vehicles	Furniture and fittings	Construction-in-progress and uninstalled equipment	Intangible assets	Total
Cost or valuation							
As at 31 December 2018	19 859	28 711	1 508	530	8 055	42	58 705
Additions	950	477	221	84	9 806	22	11 560
Transfer	2 252	9 304	116	167	(11 839)	-	-
Disposals	(966)	(1 458)	(24)	(37)	(2)	(1)	(2 488)
Currency translation difference	3 495	5 896	286	115	886	9	10 687
As at 31 December 2019	25 590	42 930	2 107	859	6 906	72	78 464
Additions	636	1 248	-	24	839	1	2 748
Transfer	877	2 285	-	55	(3 217)	-	-
Disposals	(5)	(57)	(27)	(31)	(2)	-	(122)
Currency translation difference	(4 130)	(6 992)	(342)	(140)	(1 033)	(12)	(12 649)
As at 31 December 2020	22 967	39 414	1 738	768	3 492	62	68 441
Depreciation and amortization							
As at 31 December 2018	(4 870)	(8 730)	(548)	(392)	-	(10)	(14 550)
Depreciation and amortization charge	(845)	(2 686)	(190)	(138)	-	(10)	(3 869)
Disposals	359	599	23	30	-	-	1 011
Currency translation difference	(882)	(1 676)	(105)	(65)	-	(3)	(2 731)
As at 31 December 2019	(6 238)	(12 493)	(820)	(565)	-	(23)	(20 139)
Depreciation and amortization charge	(981)	(2 606)	(193)	(107)	-	(24)	(3 911)
Disposals	5	56	15	30	-	-	106
Currency translation difference	1 058	2 148	142	94	-	3	3 446
As at 31 December 2020	(6 155)	(12 896)	(857)	(547)	-	(43)	(20 499)
Net book value							
As at 31 December 2020	16 812	26 518	881	221	3 492	18	47 943
As at 31 December 2019	19 352	30 437	1 287	294	6 906	49	58 325
As at 31 December 2018	14 989	19 981	960	138	8 055	32	44 155

As at 31 December 2020 construction-in-progress and uninstalled equipment also included prepayments for the property, plant and equipment which amounted to USD 467 thousand (2019: USD 701 thousand).

As at 31 December 2020, included within property, plant and equipment were fully depreciated assets with the original cost of USD 3 821 thousand (2019: USD 3 722 thousand).

During the year that ended at 31 December 2020 the Group expenses for constructions of property plant and equipment amounted to USD 2 515 thousand (2019: USD 7 152 thousand).

19. OTHER NON-CURRENT ASSETS

Other non-current assets include loans for apartments in amounts USD 20 thousand as at 31 December 2020 and USD 96 thousand as at 31 December 2019.

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20. INVENTORIES

	31 December 2020	31 December 2019
Raw materials	5 430	3 362
Agricultural produce and finished goods	3 945	4 931
Package and packing materials	1 682	1 713
Work in progress	821	650
Other inventories	1 357	1 765
(Less: impairment of agricultural produce and finished goods)	(19)	(124)
Total	13 216	12 297

21. TRADE AND OTHER RECEIVABLES

	31 December 2020	31 December 2019
Trade receivables	12 994	11 902
VAT for reimbursement	2 689	5 869
Other accounts receivable	443	196
Credit loss allowance	(261)	(233)
Total	15 865	17 734

Trade receivables from third parties are non-interest bearing and are generally on 30-90 days credit terms. For larger customers the Group grants credit for up to 45-180 days.

Trade and other receivables net of impairment loss provisions denominated in the following currencies:

	31 December 2020	31 December 2019
UAH	11 992	13 630
USD	1 661	1 383
EUR	2 212	2721
Total	15 865	17 734

22. PREPAYMENTS TO SUPPLIERS

As at 31 December 2020 prepayments to suppliers included prepayments for the goods and services amount to USD 1 233 thousand (2019: USD 2 022 thousand).

23. PREPAYMENTS FOR INCOME TAX

As at 31 December 2020 prepayments for income tax amount to USD 27 thousand (2019: USD 31 thousand).

24. CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Cash in banks	1 619	4 084
Restricted cash	-	379
Cash on hand	7	15
Total	1 626	4 478

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

	Currency	31 December 2020	31 December 2019
Ukraine	UAH	529	2 682
Ukraine	USD	119	107
Ukraine	EUR	379	401
Total in Ukraine		1 027	3 190
Latvia	USD	51	22
Latvia	EUR	385	686
Total in Latvia		436	708
United Kingdom	USD	18	387
United Kingdom	EUR		178
Total in United Kingdom		18	565
United Arab Emirates	AED	47	-
United Arab Emirates	USD	72	-
United Arab Emirates	EUR	26	-
Total in United Arab Emirates		145	-
Total cash in banks		1 626	4 463

25. EQUITY**Issued capital and capital distribution**

For the year ended 31 December 2020 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 of 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.

At 31 December 2020 and 2019 the shareholder interest above 5% in the Share capital of Company was as follows:

	31 December 2020	31 December 2019
Prime One Capital Ltd.	67.93%	67.93%
Generali Otworthy Fundusz Emerytalny	10.93%	10.93%
FAIRFAX FINANCIAL Holdings Limited	5.35%	5.35%
AVIVA Otworthy Fundusz Emerytalny Aviva BZ WBK	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) has been converted into USD 73 582 324 (31 December 2019: USD 77 691). 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 December 2020 and 2019, there were no movements in share premium.

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26. INTEREST-BEARING LOANS AND OTHER FINANCIAL LIABILITIES

	Currency	Effective interest rate, %	Maturity	31 December 2020	31 December 2019
Current interest-bearing loans and other financial liabilities					
Landesbank Berlin AG / AKA		2.25%			
Ausfuhrkredit-Gesellschaft mbH loan	EUR	+EURIBOR (6m)	30.12.2021	2 556	2 401
Landesbank Berlin AG loan	EUR	1.65% +EURIBOR (6m)	30.12.2020	-	797
UkrSibbank	EUR	2,75%	23.03.2021	3 013	2 729
Other current loans	UAH	-	-	24	28
Total current interest-bearing loans and other financial liabilities				5 593	5 955
Non-current interest-bearing loans and other financial liabilities					
Landesbank Berlin AG / AKA		2.25%			
Ausfuhrkredit-Gesellschaft mbH loan	EUR	+EURIBOR (6m)	30.12.2021	-	2 192
PRIME ONE CAPITAL LIMITED	EUR	3%	10.07.2022	2 469	2 243
OTP Bank	EUR	3%	02.10.2024	2 703	-
Total non-current interest-bearing loans and other financial liabilities				5 172	4 435
Total interest-bearing loans and other financial liabilities				10 765	10 390

The Interest-bearing loans from Landesbank Berlin AG and AKA Ausfuhrkredit-Gesellschaft mbH has been covered of Euler Hermes AG.

In March 2020, the Group has concluded an additional agreement and established new terms of repayment of the loan at UkrSib-bank.

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 December 2020 and 2019 the Group was not in breach of any financial covenants which allow lenders to demand immediate repayment of loans.

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	31 December 2019	Financing cash flow	Financial cash flow received	Increase (as a result of accruals and other)	Exchange differences	31 December 2020
Interest-bearing loans	10 586	(4 936)	4 419	-	708	10 777
Interest expenses	(224)	(292)	-	449	28	(40)
Other borrowings	28	-	-	-	-	28
Total	10 390	(5 228)	4 419	449	736	10 765

	31 December 2018	Financing cash flow	Financial cash flow received	Increase (as a result of accruals and other)	Exchange differences	31 December 2019
Interest-bearing loans	9 827	(4 030)	5 026	-	(237)	10 586
Interest expenses	(520)	-	-	285	11	(224)
Other borrowings	24	-	-	-	4	28
Total	9 331	(4 030)	5 026	285	(222)	10 390

27. TRADE AND OTHER PAYABLES

	31 December 2020	31 December 2019
Trade payables	10 561	8 749
Employee benefit liability	540	607
Taxes payable	234	307
Liability for unused vacation	797	761
VAT liabilities	139	77
Income tax payables	21	25
Other payables	87	168
Total	12 379	10 694

28. ADVANCES RECEIVED

As at 31 December 2020 advances received amount to USD 306 thousand (2019: USD 469 thousand).

29. 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.

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The following companies and individuals are considered to be the Group's related parties as at 31 December 2020, and 2019:

(A). Key management personnel

Key management personnel 2020:	Position:
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
Vitalii Voron	Production director
Key management personnel 2019:	Position:
Borys Bielikov	Executive Director / CEO
Vitalii Veresenko	Non-executive director
Sergii Karpenko	Non-executive director
Arnis Veinbergs	Deputy CEO in charge of Production activity
Karen Arshakyan	Non-executive director
Vitalii Voron	Production director

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

Aleksa LTD LLC	2020/2019
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As at 31 December 2020, and 2019 trade accounts receivable from related parties and advances issued to related parties were presented as follows:

	31 December 2020	31 December 2019
Prepayments to related parties		
<i>(B). Companies which activities are significantly influenced by the Beneficial Owners:</i>		
Aleksa LTD LLC	43	53
Total	43	53

Compensation of key management personnel of the Group

The amount of remuneration of key management personnel of the group for the year ended 31 December 2020, and 2019 was presented as follows:

	2020	2019
Salaries and contribution to social security fund (short-term employee benefits):		
Marc van Campen	-	29
Vitalii Voron	17	21
Vitalii Sapozhnik	16	
Karen Arshakyan	22	
Other key management personnel	246	414
Total	301	464

(C). Other related parties:

For the year ended 31 December 2020, and 2019 the Group has no other related parties.

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30. COMMITMENTS AND CONTINGENCIES***Operating environment***

All production facilities of the Company are located in Ukraine and its operations are highly dependent on the developments in this jurisdiction.

After years of political and economic tension, the Ukrainian economy had started to stabilise, but the outbreak of COVID-19 reversed this trend. According to the IMF, GDP growth fell to an estimated -7.2% in 2020 (from 3.2% in 2019), and is expected to pick up to 3% in 2021 and 3.2% in 2022, subject to the post-pandemic global economic recovery. Activity should be supported by a revival of external and domestic demand, as well as fiscal and monetary stimulus.

Until February 2020, the Ukrainian economy was still in a robust macroeconomic state thanks to the successful implementation of a reform program, with declining public debt, falling inflation and positive growth forecasts, but the outbreak of the pandemic and the government reshuffle darkened the outlook. Declining nominal GDP and Covid-19-related fiscal stimulus widened the fiscal deficit, reaching -4.5% GDP in 2020 (from -1.8% in 2019) and projected to amount -3.8% GDP in 2021 and -3% GDP in 2022 (IMF).

Public debt increased significantly, from 50.1% GDP in 2019 to 65.7% GDP in 2020, and is expected to stay high in 2021 (64.3% GDP) and 2022 (61.8% GDP) (IMF). During the first nine months of 2020, the hryvnya lost -16% vs. the USD (Euler Hermes), but inflation declined to 3.2% in 2020 (from 7.9% in 2019) due to the easing of energy and food prices. Inflation is expected to increase again to 6% in 2021 and 5.7% in 2022 (IMF).

In June 2020, the IMF approved a USD 5 billion support package to help Ukraine to cope with COVID -19 pandemic challenges. Policies under the new arrangement focus on four priorities: mitigating the economic impact of the crisis; ensuring continued central bank independence and a flexible exchange rate; safeguarding financial stability while recovering the costs from bank resolutions; and moving forward with key governance and anti-corruption measures to preserve and deepen recent gains (IMF). The 2021 budget priorities include healthcare, purchase of vaccines from COVID-19, increasing the minimum wage, salaries and pensions, education and agriculture.

Ukraine's unemployment rate was falling until 2019, but due to the negative economic impact of the COVID-19 pandemic, it is estimated to have increased to 11% in 2020 and is forecast to stay high in 2021 (9.6%) and 2022 (9%) (IMF). The informal sector in Ukraine is estimated to account for a third of the country's GDP, and GDP per capita (at purchasing power parity) is only 20% of the EU average.

The agricultural sector plays a major role in Ukrainian economy. In 2019, it contributed to 9% of the GDP and employed 14% of the working population in 2020 (World Bank). The main crops are cereals, sugar, meat and milk. Ukraine is the world's fifth largest exporter of grain. The European Union has reduced its customs duties on the agricultural areas of Ukraine, which could be a boon for this sector.

Due to the COVID-19 pandemic, Ukrainian economic sectors have been hit hard in 2020, and a slow recovery is expected in 2021, subject to global post-pandemic recovery. Agriculture is expected to be among the least affected by quarantine restrictions, while service, trade and transport have been the most affected. Approximately 700,000 small businesses in the service sector have closed.

The present Financial Statements are made up with due regard for both actual and assumed implications of the above developments and the effects thereof on the Company's financial standing and performance in the reporting period.

Taxation

Ukraine has a corporate income tax system, under which taxable profit of companies (i.e. financial profit adjusted by tax differences) is subject to 18% tax rate.

Transfer pricing rules apply to transactions with related non-residents and "low-tax" non-residents (i.e. non-residents, taxed domestically at a significantly lower corporate income tax rate than the Ukrainian tax rate of 18%), subject to a company's minimum income threshold of UAH 150 million and transactions volume threshold with each individual non-resident of UAH 10 million.

Domestic supply of goods and services, as well as the import of goods and certain services, are subject to value-added tax at the standard rate of 20%. Reduced tax rate of 0% applies to the export of goods from Ukraine.

Payment of passive income (i.e. interest, royalties, dividends etc.) to non-residents of Ukraine is subject to withholding tax at a standard 15% rate unless double tax treaties or the Tax Code of Ukraine provide another tax rate.

Agrarian producers of raw materials are allowed to apply a simplified tax system, given that at least 75% of their income is attributable to sales of agricultural raw materials produced by such company. Under the simplified tax system, companies are subject to a fixed tax, which depends on the type, location and monetary value of farmland used by such companies.

By the end of 2019, MLI Convention (BEPS Action plan step 15) entered into force in Ukraine, which allows Ukraine to amend its double tax treaties with other countries, which have also ratified MLI Convention. Ukraine has already amended a part of its double tax treaties and may amend more treaties in the future.

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Recently, the new anti-BEPS Law entered into force, which significantly changed the Ukrainian Tax Code, introducing a significant portion of BEPS Action plan steps (3, 4, 6, 7, 8, 13 and 14) to the local tax legislation.

In 2020 the Law on the market of agricultural land has been adopted. The Law introduced changes to the Land Code of Ukraine aimed at the abolishment of the moratorium for sale of land. However, the Law will enter into force on 1 July 2021 and provides a set of restrictions related to the maximum land size, which can be sold to an individual buyer, restrictions to sell land in certain areas and to certain types of buyers. Also, regardless of the expected abolishment of moratorium, sale of land is subject to provisions and/or restrictions of the Land Code of Ukraine, as well as other branch laws in certain cases.

The management believe that the Group has been in compliance with all requirements of effective tax legislation and assume that the introduced amendments will not have immediate effect on the Group's operations.

Legal issues

The Group is involved in litigations and other claims that are in the ordinary course of its business activities. As at 31 December 2020, Group is involved in litigations in the amount of USD 1 518 thousand (2019: USD 1 498 thousand). Management believes that based on the past history of court resolutions of similar lawsuits by the Group, it is unlikely that a significant settlement will arise out of such lawsuits and therefore no respective provision is required in the Group's financial statements as of the reporting date.

31. FINANCIAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through a combination of debt and equity capital. The management of the Group reviews the capital structure on a regular basis. Based on the results of this review, the Group takes steps to balance its overall capital structure through the issue of new debt or the redemption of existing debt.

The capital structure of the Group consists of debt, which includes the borrowings and cash and cash equivalents disclosed in Notes 24 and 26 respectively, and equity attributable to the equity holders of the parent, comprising issued capital, share premium, reserves and retained earnings.

Gearing ratio

The Group's management reviews quarterly the capital structure of the Group. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

	31 December 2020	31 December 2019
Debt liabilities*	10 765	10 390
Cash and cash equivalents and deposits	(1 626)	(4 478)
Net debt	9 139	5 912
Equity**	104 404	120 951
Gearing ratio	8%	5%

* Debts include short-term and long-term borrowings.

** Equity includes the share capital, share premium, retained earnings and foreign currency translation reserve.

Financial risk management

The main risks inherent to the Group's operations are those related to credit risk exposures, liquidity risk, market movements in currency rates and interest rates and potential negative impact of livestock diseases.

Credit risk

The Group is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group's exposure to credit risk regarding trade accounts receivable is primarily dependent on specific characteristics of each client. The Group's policy for credit risk management provides systematic work with debtors, which includes: analysis of solvency, determination of maximum amount of risk related to one customer or a group of customers and control over timeliness of debt repayment. The majority of Group's clients are longstanding clients, there were no significant losses during 2020 and 2019 resulting from non-fulfillment of obligations by clients. Concentration of credit risk on trade accounts receivable is characterized by the following indicators:

For the year ended 31 December 2020 USD 28 996 thousand or 28% of Group's sales revenue is related to sales transactions, realized with 5 major customers of the Group. As at 31 December 2020 USD 4 672 thousand or 26% of trade accounts receivable relates to 5 major debtors.

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The credit quality of the gross trade receivables from related and third parties was as follows:

	31 December 2020	31 December 2019
Fully performing	11 502	10 914
Past due but not impaired	1 231	755
Impaired	261	233
Total trade receivables (gross)	12 994	11 902

As at 31 December 2020 and 2019 the ageing of trade account receivables that were not impaired was as follows:

	%	31 December 2020	31 December 2019
0-30 days	-	11 411	10 914
31-90 days	-	1 106	480
91-180 days	-	171	271
181-360 days	0%	45	4
more than 360 days	100%	-	-
Total		12 733	11 669

Liquidity risk

Liquidity risk is the risk of the Group's failure to fulfill its financial obligations at the date of maturity. The Group's approach to liquidity management is to ensure, to the extent possible, permanent availability of sufficient liquidity for the Group to fulfill its financial obligations in due time (both in normal conditions and in non-standard situations), by avoiding unacceptable losses or the risk of damage to the reputation of the Group.

In accordance with plans of the Group, its working capital needs are satisfied by cash flows from operating activities, as well as by use of loans if cash flows from operating activities are insufficient for liabilities to be settled.

The table below represents the expected maturity of components of working capital:

31 December 2020	Carrying value	Contractu- al cash flows	Less than 3 months	3-6 months	6-12 months	Over 1 year
Non-derivative financial liabilities:						
Trade and other payables	12 379	12 379	11 582	797	-	-
Current interest-bearing loans and other financial liabilities	5 609	5 609	-	3 013	2 596	-
Non-current interest-bearing loans and other financial liabilities	5 156	5 156	-	-	-	5 156
Total	23 144	23 144	11 582	3 810	5 049	2 703
31 December 2019	Carrying value	Contractu- al cash flows	Less than 3 months	3-6 months	6-12 months	Over 1 year
Non-derivative financial liabilities:						
Trade and other payables	10 694	11 095	10 378	717	-	-
Current interest-bearing loans and other financial liabilities	5 955	5 955	-	4 754	1 201	-
Non-current interest-bearing loans and other financial liabilities	4 435	4 435	-	-	-	4 435
Total	21 084	21 485	10 378	5 471	1 201	4 435

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Currency risk

Currency risk – Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group undertakes certain transactions denominated in foreign currencies. The Group does not use any derivatives to manage foreign currency risk exposure, at the same time the management of the Group sets limits on the level of exposure by currencies.

Exposure to foreign currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as of 31 December 2020 and 2019 were as follows:

	PLN	RUB	AED	USD	EUR	UAH	Total
31 December 2020							
<i>(in conversion to USD thousand)</i>							
Assets							
Cash and cash equivalents	-	-	47	259	791	529	1 626
Trade receivables	-	-	-	1 660	1 830	9 243	12 733
Liabilities							
Current interest-bearing loans and other financial liabilities	-	-	-	-	(5 609)	(24)	(5 633)
Non-current interest-bearing loans and other financial liabilities	-	-	-	-	(5 156)	-	(5 156)
Trade accounts payable	-	-	-	(368)	(1 790)	(8 403)	(10 561)
Other payables	-	-	-	-	(72)	(15)	(87)
Net exposure to foreign currency risk	-	-	47	1 552	(9 983)	1 331	(7 053)
31 December 2019							
<i>(in conversion to USD thousand)</i>							
Assets							
Cash and cash equivalents	-	-	-	516	1 265	2 697	4 478
Trade receivables	-	-	-	1 383	2 721	7 798	11 902
Liabilities							
Current interest-bearing loans and other financial liabilities	-	-	-	-	(5 927)	(28)	(5 955)
Non-current interest-bearing loans and other financial liabilities	-	-	-	-	(4 435)	-	(4 435)
Trade accounts payable	-	(1)	-	(418)	(2 438)	(5 892)	(8 749)
Other payables	-	-	-	(2)	(60)	(106)	(168)
Total	-	(1)	-	1 479	(8 874)	4 469	(2 927)

This sensitivity rate represents the management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for expected change in foreign currency rates.

Effect in USD thousand:

	Increase in currency rate against UAH	Effect on profit before tax
31 December 2020		
USD	15%	233
EUR	15%	(1 497)
31 December 2019		
USD	15%	222
EUR	15%	(1 331)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes on pages 44-84 form an integral part of these financial statements

The effect of foreign currency sensitivity on shareholders' equity is equal to that on profit or loss.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. The major part of the Group's borrowings bear variable interest rates which are linked to EURIBOR. Other borrowings are presented at fixed interest rates.

The below details the Group's sensitivity to increase or decrease of floating rate by 1%. The analysis was applied to interest bearing liabilities (bank borrowings under facility agreements) based on the assumption that the amount of liability outstanding as of the balance sheet date was outstanding for the whole year.

	31 December 2020	31 December 2019
	EURIBOR	EURIBOR
Profit/(loss)	26/(26)	54/(54)

The effect of interest rate sensitivity on shareholders' equity is equal to that on profit or loss.

Livestock diseases risk

The Group's agro-industrial business is subject to risks of outbreaks of various diseases. The Group faces the risk of outbreaks of diseases, which are highly contagious and destructive to susceptible livestock, such as avian influenza or bird flu for its poultry operations. The diseases could result in mortality losses. Disease control measures were adopted by the Group to minimize and manage this risk. The Group's management is satisfied with its current existing risk management and quality control processes are effective and sufficient to prevent any outbreak of livestock diseases and related losses.

32. FINANCIAL INSTRUMENTS

Estimated fair value disclosure of financial instruments is made in accordance with the requirements of International Financial Reporting Standard 7 "Financial Instruments: Disclosure". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

The Group uses the following hierarchy for determining the fair value of financial instruments:

Level 1 ("L1") - quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2 ("L2") - other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3 ("L3") - techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The Group does not acquire, hold or issue derivative financial instruments for trading purposes.

The following table presents the classification, subsequent measurement, carrying values and fair values of the Group's financial assets:

	Subsequent measurement	31 December 2020		31 December 2019	
		Carrying value	Fair value	Carrying value	Fair value
Financial assets:					
Trade and other receivables (a)	Amortized cost	15 865	15 865	17 734	17 734
Cash and cash equivalents		1 626	1 626	4 478	4 478
		17 491	17 491	22 212	22 212

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes on pages 44-84 form an integral part of these financial statements

The following table presents the classification, subsequent measurement, carrying values and fair values of the Group's financial liabilities:

		31 December 2020		31 December 2019	
	Subsequent measurement	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities:					
Current interest-bearing loans and borrowings (a)	Amortized cost	8 062	8 062	5 955	5 955
Non-current interest-bearing loans and borrowings (b)	Amortized cost	2 703	2 703	4 435	4 435
Trade and other payables (current) (a)	Amortized cost	12 379	12 379	10 694	10 694
		23 144	23 144	21 084	21 084

The following methods and assumptions were used to estimate the fair values:

- The Group's short-term financial instruments, comprising trade and other receivables, current interest-bearing loans and borrowings, trade and other payables are carried at amortized cost which, due to their short term nature, approximates their fair value.
- The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.
- Fair value of available-for-sale financial assets is derived from quoted market prices in active markets, if available.
- Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques.

33. SUBSEQUENT EVENTS

On 23 March 2021 an additional agreement was signed with UkrSibbank that rescheduled the term of loan repayment to 09 September 2021.

On 26 March 2021 an additional agreement was signed with OTP that rescheduled the term of repayment of an instalment due in March 2021 to 05 May 2021.

OVOSTAR UNION PUBLIC COMPANY LIMITED
COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2020

OVOSTAR UNION PCL INDIVIDUAL FINANCIAL STATEMENTS

BALANCE SHEET

For the year ended 31 December 2020 (in USD thousand, unless otherwise stated)

	Note	31 December 2020	31 December 2019
Assets			
Non-current assets			
Investment in subsidiaries	9	46 097	46 097
Total non-current assets		46 097	46 097
Current assets			
Cash and cash equivalents	11	14	45
Prepayments to suppliers		5	
Other accounts receivables	10	3 363	4 882
Loan receivable from Yasenvit		32	14
Total current assets		3 414	4 941
Total assets		49 511	51 038
Equity and liabilities			
Equity			
Issued capital	12	74	78
Foreign currency translation reserve		11	7
Share premium reserve	13	30 933	30 933
Retained earnings		12 186	5 686
Profit for the year		1 171	6 500
Equity attributable to owners of the parent		44 375	43 204
Non-current liabilities			
Non-current loans and borrowings	14	2 469	4 435
Total non-current liabilities		2 469	4 435
Current liabilities			
Trade and other payables	15	111	202
Current loans and borrowings	14	2 556	3 197
Total current liabilities		2 667	3 399
Total liabilities		5 136	7 834
Total equity and liabilities		49 511	51 038

OVOSTAR UNION PCL INDIVIDUAL FINANCIAL STATEMENTS

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2020 (in USD thousand, unless otherwise stated)

	Note	2020	2019
Dividend income	4	1 980	7 000
Selling and distribution costs	5	-	(8)
Administrative expenses	6	(203)	(211)
Operating profit		1 777	6 781
Finance costs	8	(635)	(503)
Finance income	7	35	230
Profit before tax		1 177	6 508
Income tax expense		(6)	(8)
Profit for the year		1 171	6 500

OVOSTAR UNION PCL INDIVIDUAL FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020 (in USD thousand, unless otherwise stated)

	Issued capital	Foreign currency translation reserve	Share pre- mium re- serve	Retained earnings	Total equity
Exchange rate differences	9	(9)	-	-	-
As at 31 December 2019	78	7	30 933	12 186	43 204
Result for the period	-	-	-	1 171	1 171
Exchange rate differences	(4)	4	-	-	-
As at 31 December 2020	74	11	30 933	13 357	44 375

OVOSTAR UNION PCL INDIVIDUAL FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020 (in USD thousand, unless otherwise stated)

	Note	2020	2019
Cash flows from operating activities			
Profit before tax		1 177	6 508
Adjustments for:			
Dividend income		(1 980)	(7 000)
Interest income		(35)	(14)
Interest expense		635	503
		(203)	(3)
Changes in working capital:			
Decrease/(Increase) in receivable balances		1 519	(4 895)
Decrease/(Increase) in prepayments to suppliers		(5)	-
Decrease/(Increase) in payable balances		(61)	81
Cash used in operations		1 250	(4 817)
Dividends received		1 980	7 000
Income tax paid		(9)	
Net cash generated from operating activities		3 221	2 183
Cash flows from investing activities			
Payment for purchase of investment in subsidiaries		-	(371)
Interest received		35	14
Net cash used in investing activities		35	(357)
Cash flows from financing activities			
Proceeds from borrowings		1 810	
Repayments of borrowings		(4 936)	(1 674)
Interest paid		(161)	(504)
Dividends paid		-	(6 780)
Net increase in cash and cash equivalents		-	(7 132)
Net cash used in investing activities		(3 287)	(8 958)
		-	
Cash and cash equivalents at beginning of the year		45	7 177
Cash and cash equivalents at end of the year		14	45

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

Notes on pages 90-95 form an integral part of these financial statements

1. GENERAL

Ovostar Union Public Company Limited (referred to herein as the “Company”) is a public limited company incorporated in the Netherlands in 2011 and re-domiciled to Cyprus in 2018. Ovostar Union PCL was formed to serve as the ultimate holding company of LLC “Ovostar Union” and its subsidiaries. Hereinafter, “Ovostar Union” and its subsidiaries are referred to as the “Ovostar Union Group” or the “Group”. The registered office and principal place of business of the Company is le-rotheou, 22, 4th floor, Strovolos, 2028 Nicosia, Cyprus.

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

Use of estimates

The preparation of financial statements under IFRS requires estimates to be used and assumptions to be made that affect the amounts shown in these financial statements. These estimates assume the operation is a going concern and are drawn up on the basis of the information available at the time. Estimates may be revised if the circumstances on which they were based change or if new information becomes available. Actual results may be different from these estimates.

Basis of preparation

The financial statements for the year ended 31 December 2021 have been prepared using the IFRS.

The IFRS individual financial statements were approved by the Board of Directors on 22 April 2021

For information on the companies belonging to Ovostar Union Group please refer to Note 1 of the Consolidated financial statements.

Going concern

As at 31 December 2021 current liabilities of the Company exceeded its current assets. However, the management believes that the Company will be able to continue its activities as a going concern and will be able to repay its liabilities out of funds received from its subsidiaries as dividends. Therefore, Company’s financial statements have been prepared under the going concern assumption.

2. SIGNIFICANT ACCOUNTING POLICIES***Investment in subsidiaries***

Participating interests (subsidiaries, joint ventures and associates) are measured on the basis of the equity method.

3. FUNCTIONAL AND PRESENTATION CURRENCY

The functional currency of the Company is U.S. dollar (USD). The financial statements are presented in the company’s functional currency, that is, U.S. dollar (USD).

4. DIVIDEND INCOME

	Note	2020	2019
Dividend income from International Food Trade		230	7 000
Dividend income from OAE Food Trade FZE		1 750	-
Total		1 980	7 000

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

Notes on pages 90-95 form an integral part of these financial statements

5. SELLING AND DISTRIBUTION COSTS

	Note	2020	2019
Marketing and advertising		-	8
Total		-	8

6. ADMINISTRATIVE EXPENSES

	2020	2019
Wages, salaries and social security costs	23	28
Legal, audit and other professional fees	149	169
Service charge expenses	26	14
Other expenses	5	-
Total	203	211

7. FINANCE COSTS

	2020	2019
Interest on debts and borrowings	309	503
Foreign currency exchange loss	326	-
Total	635	503

8. FINANCE INCOME

	2020	2019
Interest income	19	14
Foreign currency exchange	-	216
Other expenses	16	-
Total	35	230

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

Notes on pages 90-95 form an integral part of these financial statements

9. CORPORATE INCOME TAX

Tax recognized in profit or loss:

	2020	2019
Corporation tax	6	8
Corporation tax – prior years	-	-
<u>Charge for the year</u>	6	8

The taxation on the Company's profit/(loss) before taxation differs from theoretical amount that would arise using the applicable tax rates as follows:

	2020	2019
Profit before tax	1 177	6 508
Applicable tax rates	12,50%	12,50%
Tax calculated at the applicable tax rates	147	813
Tax effect of expenses not deductible for tax purposes	176	183
Tax effect of allowances and income not subject to tax	(317)	(990)
10% additional charge	0	1
<u>Tax charge</u>	6	8

10. INVESTMENT IN SUBSIDIARIES

	2020	2019
LLC "Ovostar Union"	45 345	45 345
GALLUSMAN SIA	344	344
LLC "Yasensvit"	313	313
Ovostar Europe LLC	63	63
OAE Food Trade FZE	28	28
EPEX SIA	3	3
INTERNATIONAL FOOD TRADE Limited	1	1
Total	46 097	46 097

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

Notes on pages 90-95 form an integral part of these financial statements

11. OTHER ACCOUNTS RECEIVABLES

	2020	2019
Urner Barry U.S.A	-	1
INTERNATIONAL FOOD TRADE Limited	19	900
OAE Food Trade FZE	602	-
LLC Yasensvit	2 742	3 981
Total	3 363	4 882

12. CASH AND CASH EQUIVALENTS

The Company's cash balances are available upon demand.

13. ISSUED CAPITAL

The authorized share capital amounts to EUR 225,000 divided into 22 500 000 ordinary shares of EUR 0.01 nominal value each. During 2011, 6 000 000 shares have been issued. Using an exchange rate of 1 EUR = 1.198 USD.

For the movement schedule of issued capital, share premium, foreign currency translation reserve and profit for the year please refer to the specification of the Consolidated statement of changes in equity included in the Consolidated financial statements. Legal reserve subsidiary as at 31 December 2020 was in the amount of USD 73, 582 (in 2019: USD 77 691).

14. 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 years ended 31 December 2020 and 2019, there were no movements in share premium.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

Notes on pages 90-95 form an integral part of these financial statements

15. LOANS AND BORROWINGS

	Note	31 December 2020	31 December 2019
Current interest-bearing loans and other financial liabilities			
Landesbank Berlin AG / AKA Ausfuhrkredit-Gesellschaft mbH loan	i)	2 556	2 401
Landesbank Berlin AG loan	i)	-	796
PRIME ONE CAPITAL LIMITED		-	
Total current interest-bearing loans and other financial liabilities		2 556	3 197
Non-current interest-bearing loans and other financial liabilities			
Landesbank Berlin AG / AKA Ausfuhrkredit-Gesellschaft mbH loan	i)	-	2 191
Landesbank Berlin AG loan	i)	-	-
PRIME ONE CAPITAL LIMITED		2 469	2 244
Total non-current interest-bearing loans and other financial liabilities		2 469	4 435
Total interest-bearing loans and other financial liabilities		5 025	7 632

i) As at 31 December 2020 and 2019 loan and borrowings comprised loans received from Landesbank Berlin AG and AKA Ausfuhrkredit-Gesellschaft mbH. Landesbank Berlin AG and AKA Ausfuhrkredit-Gesellschaft mbH loan are guaranteed by subsidiaries and has been covered of Euler Hermes AG. For detail information about loans and borrowings refer to Note 24 in the Consolidated financial statements.

16. TRADE AND OTHER PAYABLES

Trade and other payables included payables from third parties.

	31 December 2020	31 December 2019
Ovostar Europe SIA	61	56
Other	50	146
Total	111	194

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

Notes on pages 90-95 form an integral part of these financial statements

17. DIRECTORS

The Company is managed by the Board of Directors which consists of four members: one Executive Director and three Non-Executive directors.

The Board of Directors as at 31 December 2020 comprised:

Name Position

V. Veresenko	Chairman of the Board, Non-Executive Director (non-independent)
B. Bielikov	Chief Executive Officer, (non-independent)
K. Arshakyan	Non-Executive Director (independent)
S. Karpenko	Non-Executive Director (independent)

Changes in the Board of Directors of Ovostar Union PCL.

At the Annual General Meeting of the Company held on June 26, 2020 Sergii Karpenko was re-appointed as non-executive Director of the Company.

18. AUDIT FEE

	31 December 2020	31 December 2019
Baker Tilly Ukraine:		
Audit and review of financial statements	49	45
Baker Tilly Klitou & Partners Ltd		
Audit fees	34	31
Total	83	76

Audit fees disclosed in the financial statements include the fees for professional services rendered by Baker Tilly Ukraine and Baker Tilly Klitou & Partners Ltd and relate to the audit of the Company's Consolidated and Company's financial statements and its subsidiaries.

19. SUBSEQUENT EVENTS

There were no subsequent events after the reporting date.

[signed]

Borys BielikovChief Executive Officer,
Executive Director

[signed]

Vitalii VeresenkoChairman of the Board,
Non-executive Director

[signed]

Karen ArshakyanHead of Audit Committee,
Non-executive Director

[signed]

Sergiy Karpenko

Non-executive Director

[signed]

Vitalii Sapozhnik

Chief Financial Officer

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Independent Auditor's Report

To the Members of Ovostar Union Public Company Limited

Report on the Audit of the Consolidated and Individual Financial Statements

Opinion

We have audited the consolidated financial statements of Ovostar Union Public Company Limited (the parent Company, herein referred as the "Company") and its subsidiaries (the "Group"), and the individual financial statements of Ovostar Union Public Company Limited (the parent Company, herein referred as the "Company"), which are presented in pages 40 to 95 and comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and the individual statement of financial position as at 31 December 2020, and the individual statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the individual financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and individual financial statements give a true and fair view of the consolidated and individual financial position of the Group as at 31 December 2020, and of its consolidated and individual financial performance and its consolidated and individual cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We remained independent of the Group throughout the period of appointment in accordance with the "International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants" (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

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

Independent Auditor's Report (continued)



To the Members of Ovostar Union Public Company Limited

The key audit matter	How the matter was addressed in our audit
<i>Biological Assets Valuation</i> The Group's biological assets are measured at fair value less costs to sell. As at 31 December 2020 the biological assets in the consolidated financial statements are presented at a carrying value of USD 51,372,000 (2019: USD 50,759,000). We refer to Note 5 and 17 in the consolidated financial statements for the related disclosures. The Group estimates the fair value of the biological assets based on the discounted cash flow technique. The Group determines the fair value internally, applying inputs from mostly internal sources which require estimates and assumptions, including the future value of the produced eggs, the costs to maintain the laying hens until the end of their production period and the discount rate. Due to the level of judgment and complexity involved in the valuation of biological assets, as well as the significance of biological assets to the Group's financial position, this is considered to be a key audit matter.	We obtained an understanding of management's biological assets' valuation process and evaluated the design and tested the operating effectiveness of internal controls related to biological assets. Our audit procedures over the valuation of biological assets included, among others: • Testing of the design of, and validity of the input data used in, the valuation model of biological assets; • Testing the completeness and accuracy of the data used through recalculation and testing of inputs; • Assessment of the methodology adopted by management for the valuation; • Assessment of the key valuation assumptions used in the model against prevailing market conditions; • Assessment of the assumptions used to derive to the discount rate applied in the valuation model; • Testing of the mathematical accuracy of the model used for valuation; • Assessment of the adequacy and appropriateness of disclosures for compliance with the applicable accounting standards.
<i>Going concern</i> As disclosed in the Statements of Director's Responsibilities, Directors are required to prepare the statements on a going concern basis unless it is inappropriate to assume that the Group and the Company will continue in business. The financial statements have been prepared on a going concern basis as discussed in note 2.2 in the consolidated financial statements and note 1 in the individual financial statements. The Directors, having assessed all relevant parameters have determined that the Group is a going concern. As part of their assessment the Directors have considered compliance with regulatory measures, the maturity of current loan obligations, the Group's financial strategy and the forecast reports for 2021. Further to this, they have concluded the Group is taking all necessary measures to maintain the viability of its business in the future. Due to the decline in revenues, the increase in borrowings and the decline in cash reserves compared to the previous reporting year we consider the going concern assumption as a key audit matter.	In assessing the appropriateness of the going concern assumption used in preparing the financial statements our audit procedures included, among others: • Obtained the management's assessment of the going concern assumption, and evaluated the reasonableness of their conclusions; • Assessment of litigations against the Group; • Assessment of the cash flow requirements of the Group for the next 12 months based on budgets. • Consideration of the liquidity of existing assets on the statement of financial position; • Assessment of financial and performance indicators; • Obtained evidence of contracts signed with new clients during the period; • Verified the availability of unused credit facilities;

Independent Auditor's Report (continued)



To the Members of Ovostar Union Public Company Limited

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report and the Corporate Governance Statement, but does not include the consolidated and individual financial statements and our auditor's report thereon.

Our opinion on the consolidated and individual financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and individual financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and individual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the Consolidated and Individual Financial Statements

The Board of Directors is responsible for the preparation of consolidated and individual financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated and individual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and individual financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated and Individual Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and individual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

Independent Auditor's Report (continued)



To the Members of Ovostar Union Public Company Limited

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and individual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and individual financial statements, including the disclosures, and whether the consolidated and individual financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and individual financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and individual financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the Group on 30 November 2018 by the General Meeting of the Company's members to audit its financial statements for the year ended 31 December 2018. Our appointment has been renewed annually by resolution at the shareholder's Annual General Meeting representing a total period of uninterrupted engagement appointment of 3 years.

Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the consolidated and individual financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 20 April 2021 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Group and which have not been disclosed in the consolidated and individual financial statements or the management report.

Independent Auditor's Report (continued)



To the Members of Ovostar Union Public Company Limited

Other Legal Requirements

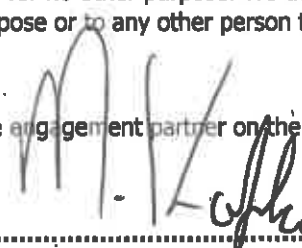
Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the financial statements.
- In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the management report. We have nothing to report in this respect.
- In our opinion, based on the work undertaken in the course of our audit, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the management report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and is consistent with the financial statements.
- In our opinion, based on the work undertaken in the course of our audit, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. We have nothing to report in this respect.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is Maria Kaffa.



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Maria Kaffa

**Certified Public Accountant and Registered Auditor
for and on behalf of**

**Baker Tilly Kiltou and Partners Ltd
Certified Public Accountants and Registered Auditors**

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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.