LLC “Brooklyn-Kiev”

Separate Financial Statements
for the Year Ended 31 December 2020

LLC “BROOKLYN-KIEV”

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Deloitte.

LLC "Deloitte & Touche USC"
48, 50A, Zhylyanska Street
Kyiv, 01033, Ukraine

Tel.: +38 (044) 490 90 00
Fax: +38 (044) 490 90 01
deloitte.ua

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Management of Limited Liability Company "Brooklyn-Kiev":

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Brooklyn-Kiev LLC (the "Company"), which comprise the separate statement of financial position as at 31 December 2020, and the separate statement of profit or loss and other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and the preparation of the financial statements requirements of the Law of Ukraine "On accounting and financial reporting in Ukraine" ("Law on accounting and financial reporting").

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. This matter was addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

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Why the matter was determined to be a key audit matter	How the matter was addressed in the audit

The Going Concern Basis of Accounting
 	
As discussed in Note 4 to these separate financial statements as at 31 December 2020, the Company's current liabilities (UAH 331,646 thousand) exceeded current assets (UAH 166,739 thousand) by UAH 164,907 thousand that may indicate the existence of significant uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.
 	
Therefore, management had prepared forecasts of the expected financial position and financial results for 2021 to ensure that the Company has sufficient funding for its business and to assess whether a significant uncertainty related to going concern exists.
 	
Such analysis requires management to use significant judgement in respect of the Company's ability to settle the current obligations in a due course. Management's plans in respect of this matter are discussed in Notes 4.
 	
Given the significance of the judgement involved and the pervasiveness of the effect of the going concern assumption on the separate financial statements, we considered assessment of the appropriateness of the going concern basis of accounting to be a key audit matter.
	In responding to the identified key audit matter we performed the following audit procedures:
	
	• Analysing management's evaluation of the going concern basis and the plans to settle current liabilities, including the preparation and approval of forecasts and the review of inputs and assumptions used;
	• Analysing current and expected events and conditions, including financial and operating indicators, which could cast doubts on the Company's ability to continue as a going concern;
	• Analysing management's approved budget for the next financial year including cash flow forecasts;
	• Examining the reliability of data and reasonableness of assumptions applied in preparing forecast by:
	  – Comparing forecast sales with recent historical financial information to consider accuracy of forecasting;
	  – Challenging assumptions used in cash flows projections with the reference to available information and assessing whether the key cash flows are within the Company's control;
	  – Performing audit procedures regarding subsequent events to verify Company's actual performance against budget.
	• Analysing the terms of the loan agreements in respect of the available undrawn loan facilities;
	• Analysing subsequent changes in terms of key customers agreements that could affect the Company's ability to generate a sufficient level of cash flows from operating activities;
	• Evaluating external matters that could be an indicator of adverse events and conditions, and
	• Assessing the completeness and adequacy of information disclosed in the separate financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the management report, but does not include the separate financial statements and our auditor's report thereon.

Our opinion on the separate 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 separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate 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.

Other Matter

The supplementary information included on pages from 48 to 51 is presented for the purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of the Company's management. In our opinion, the accompanying supplementary financial information, expressed in US dollars, has been properly translated in accordance with the basis described in Note A to the supplementary financial information. Our audit has been performed for the purpose of forming an opinion on the financial statements taken as a whole.

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

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with IFRSs and Law on accounting and financial reporting, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate financial statements.

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

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

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

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

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

Report on Other Legal Requirements

We have been appointed as auditor of the Company by the General Participants' Meeting on 7 September 2020. In view of the previous renewals and reappointments, we conducted audit from 25 September 2019 to the date of this report.

We confirm that the audit opinion is consistent with the additional report to the audit committee.

We confirm that the prohibited non-audited services referred to ISA or requirements of Article 6, paragraph 4 of Law of Ukraine "On Audit of Financial Statements and Audit Activities" were not provided and that the audit engagement partner and audit firm remains independent of the Company in conducting the audit.

Basic Information about Audit Firm

Name: Limited Liability Company “Deloitte & Touche Ukrainian Services Company”.

Address of registration and location of the audit firm: 48, 50a Zhylianska Str., Kyiv, 01033, Ukraine.

“Limited Liability Company “Deloitte & Touche Ukrainian Services Company” was enrolled to Sections of “Audit Entities”, “Audit Entities and Auditors That Have the Right to Conduct Statutory Audits of Financial Statements”, and “Audit Entities and Auditors That Have the Right to Conduct Statutory Audits of Financial Statements of Public Interest Entities” of the Register of Auditors and Auditing Entities of the Audit Chamber of Ukraine under # 1973.”

LLC "Deloitte & Touche USC"

Certified Auditor Oleksii Zanoza

Auditor’s Certificate # 007114
Issued by the Audit Chamber of Ukraine on 26 December 2013
on the basis of Resolution of the Audit Chamber of Ukraine # 287/2,
Registration Number in the Register of Auditors and Auditing Entities 102251

LLC “Deloitte & Touche Ukrainian Services Company”
48, 50a Zhylianska Str., Kyiv, 01033, Ukraine

9 June 2021

LLC "BROOKLYN-KIEV"

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020
(in Ukrainian Hryvnias and in thousands)

	Notes	Year ended 31 December 2020	Year ended 31 December 2019 (restated)
Revenue	6	880,726	862,039
Cost of sales	7	(606,747)	(569,674)
Gross profit		**273,979**	**292,365**
Selling and distribution expenses		(5,133)	(4,972)
General and administrative expenses	8	(82,725)	(64,626)
Finance costs	9	(51,731)	(46,960)
Finance income		196	626
Foreign exchange (loss)/gain, net		(32,735)	29,222
Other expenses	10	(33,387)	(17,156)
Profit before income tax		**68,464**	**188,499**
Income tax expense	11	(12,396)	(33,877)
Profit for the year		**56,068**	**154,622**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**56,068**	**154,622**

On behalf of Management:

Oleksii Nikulin, General Director

Liudmyla Shylienkova, Chief Accountant

The notes on pages from 10 to 47 form an integral part of these separate financial statements.

LLC "BROOKLYN-KIEV"

STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2020
(in Ukrainian Hryvnias and in thousands)

	Notes	31 December 2020	31 December 2019 (restated)
Assets			
Non-current assets			
Property, plant and equipment	12	1,307,905	1,322,602
Right-of-use assets	13	287,193	338,817
Intangible assets		595	524
Prepayments for property, plant and equipment		15,809	28,630
Deferred tax assets	11	654	5,419
Other non-current assets		3,200	3,200
Total non-current assets		**1,615,356**	**1,699,192**
Current assets			
Inventories		19,425	18,123
Trade accounts receivable	14	40,845	40,540
Other financial assets	15	31,062	3,077
Prepayments to suppliers and other current assets		13,703	22,394
Value added tax receivable		-	4,398
Cash and cash equivalents	16	61,704	13,523
Total current assets		**166,739**	**102,055**
Total assets		**1,782,095**	**1,801,247**
Equity and liabilities			
Issued capital	17	2,116	2,116
Retained earnings		1,178,144	1,127,823
Total equity		**1,180,260**	**1,129,939**
Non-current liabilities			
Borrowings	18	40,715	59,215
Long-term lease liabilities	13	229,474	264,567
Total non-current liabilities		**270,189**	**323,782**
Current liabilities			
Trade and other accounts payable	19	90,235	106,509
Borrowings	18	95,179	114,175
Short-term lease liabilities	13	92,330	82,526
Other current liabilities	20	40,146	36,372
Value-added tax payable		7,079	-
Corporate income tax payable		6,677	7,944
Total current liabilities		**331,646**	**347,526**
Total liabilities		**601,835**	**671,308**
Total equity and liabilities		**1,782,095**	**1,801,247**

On behalf of Management:

Oleksii Nikulin, General Director

Liudmyla Shylienkova, Chief Accountant

The notes on pages from 10 to 47 form an integral part of these separate financial statements.

LLC "BROOKLYN-KIEV"

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020
(in Ukrainian Hryvnias and in thousands)

	Issued capital	Retained earnings	Total
31 December 2018	**2,116**	**970,601**	**972,717**
Profit for the year (restated)	-	154,622	154,622
Other movements	-	2,600	2,600
31 December 2019 (restated)	**2,116**	**1,127,823**	**1,129,939**
Profit for the year	-	56,068	56,068
Other movements	-	(5,747)	(5,747)
31 December 2020	**2,116**	**1,178,144**	**1,180,260**

On behalf of Management:

Oleksii Nikulin, General Director

Liudmyla Shylienkova, Chief Accountant

LLC "BROOKLYN-KIEV"

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020
(in Ukrainian Hryvnias and in thousands)

	Year ended 31 December 2020	Year ended 31 December 2019 (restated)
Cash flows from operating activities		
Profit before income tax	68,464	188,499
Adjustments to reconcile profit before income tax to net cash provided by operations:		
Depreciation and amortization of property, plant and equipment and intangible assets	50,157	39,379
Depreciation of right-of use-asset	53,900	47,957
Change in provision for unused vacations	1,934	4,184
Loss on disposal of property, plant and equipment	219	7
Property, plant and equipment write-off	4,524	-
Net unrealized foreign exchange losses/(gain)	27,536	(36,885)
Interest expense on lease liabilities	45,837	46,960
Interest expense on loans	5,894	-
Finance income	(196)	(626)
Operating profit before working capital changes	**258,269**	**289,475**
Change in trade accounts receivable and other financial assets	427	9,897
Change in prepayments to suppliers and other assets	8,691	(11,338)
Change in inventories	(1,302)	(2,169)
Change in value added tax recoverable	4,398	(4,078)
Change in trade accounts payable	(9,750)	31,331
Change in other current liabilities	1,840	(5,457)
Change in value added tax payable	7,079	-
Cash generated by operations	**269,652**	**307,661**
Income tax paid	(14,448)	(35,999)
Interest received	196	626
Interests paid on loans	(6,833)	-
Interests paid on leases	(45,837)	(46,960)
Net cash generated by operating activities	**202,730**	**225,328**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(12,093)	(154,100)
Acquisition of intangible assets	(237)	(361)
Financial aid provided	(29,000)	-
Purchase of long-term investments	-	(500)
Interest paid	(10,870)	(29,446)
Net cash used in investing activities	**(52,200)**	**(184,407)**
Cash flows from financing activities		
Proceeds from borrowings	24,457	83,106
Payment of principal amounts on borrowings	(91,292)	(144,736)
Repayment of lease liabilities	(39,950)	(33,558)
Net cash used in financing activities	**(106,785)**	**(95,188)**
Net increase/(decrease) in cash and cash equivalents	**43,745**	**(54,267)**
Cash and cash equivalents, at the beginning of the year	**13,523**	**63,311**
Effect of foreign exchange rates on cash and cash equivalents	4,436	4,479
Cash and cash equivalents, at the end of the year	**61,704**	**13,523**

On behalf of Management:

Oleksii Nikulin, General Director

Liudmyla Shylienkova, Chief Accountant

The notes on pages from 10 to 47 form an integral part of these separate financial statements.

1. NATURE OF THE BUSINESS

LLC "Brooklyn-Kiev" (the "Company") is a limited liability company incorporated in accordance with the laws of Ukraine.

The Company's business activities are carried out on the basis of stevedoring complex #5 located in Khlibna Harbor of the Odessa Sea Commercial Port. LLC "Brooklyn-Kiev" renders stevedoring services related to cargo handling, carries out stuffing and unstuffing of containers and provides cargo storage on the customs territory of the Odessa Sea Commercial Port.

The Company is in the process of constructing a grain terminal with the annual cargo turnover of up to 4.5 million tons on the rented land. The projected construction costs were estimated at the start of the project at about USD 103,800 thousand. Phase 1 of the grain terminal construction was put into operation in December 2013. Phases 3 and 4 were put into operation in February and November 2016. Phase 5 was put into operation in June 2020. Phase 2 is planned to be put into operation by the end of July 2021.

The Company's registered and actual address is: Khlibna Gavan Str., 6, Odessa, 65003, Ukraine.

2. OPERATING ENVIRONMENT

Since 2016, the Ukrainian economy has demonstrated signs of stabilization after years of political and economic tension. In 2020, the Ukrainian economy has contracted by around 4.4% of real GDP because of COVID-19 outbreak and respective national lockdown initiatives (2019: real GDP growth of around 3.2%), but sustained the modest annual inflation of 5.0% (2019: 4.1%), with a slight devaluation of the national currency (by around 4.4% to USD and 6.4% to EUR comparing to previous year averages).

Ukraine continues to limit its political and economic ties with Russia, given annexation of Crimea, an autonomous republic of Ukraine, and an armed conflict with separatists continued in certain parts of Luhanska and Donetska regions. As a result of this, the Ukrainian economy is continuing refocusing on the European Union (the "EU") market by realizing potentials of established Deep and Comprehensive Free Trade Area with the EU as well as other markets.

To further facilitate business activities in Ukraine, the National Bank of Ukraine (the "NBU") in 2019 has lifted the surrender requirement for foreign currency proceeds, cancelled all limits on repatriation of dividends and gradually decreased its discount rate for the first time during the recent two years, from 18.0% in April 2019 to 11.0% in January 2020. The discount rate was further decreased during 2020, with 6.0% valid from 12 June 2020. Starting from 16 April 2021 discount rate is 7.5%.

The degree of macroeconomic uncertainty in Ukraine in 2020 still remains high due to a significant amount of public debt scheduled for repayment in 2021, which requires mobilizing substantial domestic and external financing in an increasingly challenging financing environment for emerging markets. Further economic growth depends, to a large extent, upon success of the Ukrainian government in realization of planned structural reforms and effective cooperation with the International Monetary Fund (the "IMF").

Fitch's current rating of Ukraine's Long-Term Foreign- and Local-Currency Issuer Default Ratings was stated as "B", revised from a positive to stable outlook in April 2020.

(in Ukrainian Hryvnias and in thousands)

Starting from early 2020, a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world, resulting in announcement of the pandemic status by the World Health Organization (the “WHO”) in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have a significant impact on global financial markets. As the situation is rapidly evolving, it may have a significant effect on business of many companies across a wide range of sectors, including, but not limited to, such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing. In addition, the Company may face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets. The significance of the effect of COVID-19 on the Company’s business largely depends on the duration and the incidence of the pandemic effects on the world and Ukrainian economy.

3. RESTATEMENT NOTE

The Company authorized the separate financial statements as of 31 December 2019 and for the year then ended on 16 June 2020. After the date of authorization of the separate financial statements for issuance, the Company identified errors in the information for the previous reporting period, which had a significant impact on the statement of financial position as at 31 December 2019 and statement of profit or loss and other of comprehensive income and statement of cash flows for the year ended 31 December 2019. There was no impact on the separate financial statements as at 31 December 2018 and for the year then ended. These errors have been corrected retrospectively in these separate financial statements at of 31 December 2020 and for the year then ended.

The effect of retrospective adjustments to the statement of financial position as at 31 December 2019, statement of profit or loss and other of comprehensive income and statement of cash flows for the year then ended was presented as follows:

	Note	As previously reported	Restatement effect	As restated
Statement of financial position				
Property, plant and equipment	3.1, 3.2	1,302,733	19,869	1,322,602
Right-of-use assets	3.3	342,020	(3,203)	338,817
Total non-current assets		**1,682,526**	**16,666**	**1,699,192**
Corporate income tax payable	3.4	(4,854)	(3,090)	(7,944)
Total current liabilities		**(344,436)**	**(3,090)**	**(347,526)**
Statement of profit or loss and other comprehensive income				
Cost of sales	3.1, 3.3	(575,444)	5,770	(569,674)
Finance costs	3.2	(57,856)	10,896	(46,960)
Income tax expense	3.4	(30,877)	(3,000)	(33,877)
Other expenses	3.4	(17,066)	(90)	(17,156)
Net profit		**141,046**	**13,576**	**154,622**
Statement of cash flows				
Cash flows from operating activities	**3.1, 3.2, 3.3, 3.4**	**215,777**	**9,551**	**225,328**
Cash flows from investing activities	**3.2**	**(174,856)**	**(9,551)**	**(184,407)**

3.1 Capitalization of right-of-use asset depreciation. During the year ended 31 December 2019, the Company was in the process of construction of qualifying assets on a leasehold land. In the previously issued separate financial statements for the year ended 31 December 2019 the Company recognized depreciation of leasehold land right-of-use asset in the statement of profit or loss and other comprehensive income in Cost of sales in the amount of UAH 8,973 thousand. During the year ended 31 December 2020 management of the Company reviewed the approach and concluded that for the constructing leasehold land the depreciation of the leasehold land right-of-use asset during the construction period should be incorporated in the cost of the qualifying asset. This is due to the fact that depreciation of the leasehold land is an unavoidable cost that is directly attributable to the construction activity and to bringing the building to the condition capable of operating in the manner intended by management. This correction of error was made retrospectively in these separate financial statements as of and for the year ended 31 December 2019. As a result, Property, plant and equipment balance and Cost of sales were corrected respectively.

3.2 Capitalization of borrowing costs. In the previously issued separate financial statements for the year ended 2019 the Company presented interest expense on lease liabilities and interests on loans due to related parties in amount of UAH 7,705 thousand and UAH 3,191 thousand, respectively, in the statement of profit or loss and other comprehensive income within Finance costs. Considering the fact, that the Company was in the process of construction a qualifying asset on a leasehold land, respective interest expenses on lease liabilities and interests on loans due to related parties should have been capitalized and presented within Property, plant and equipment line. This correction of error was made retrospectively in these separate financial statements as of and for the year ended 31 December 2019.

3.3 ***Error in depreciation formula.*** In the previously issued separate financial statements for the year ended 2019 the Company identified an error related to right-of-use assets depreciation formula. As a result, as at the date of these separate financial statements the Company corrected and increased the depreciation within Cost of sales in the amount of UAH 3,203 thousand.

3.4 ***Other changes.*** As result of the identified and corrected errors in paragraphs 3.1-3.3 the Company recognized additional Income tax expense in the amount of UAH 3,000 thousand and penalties in the amount of UAH 90 thousand.

Also, the Company made changes to the presentation of cash flow statement for the year ended 31 December 2019 by presenting repayment of interest expenses on lease liabilities that was capitalized to the cost of qualifying asset as cash flows used in investing activities, which was previously presented within cash flows from operating activities, in the amount of UAH 9,551 thousand.

4. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements are separate financial statements of the Company prepared in accordance with International Financial Reporting Standards (“IFRS”) and the preparation of the financial statements requirements of the Law of Ukraine “On accounting and financial reporting in Ukraine” (“Law on accounting and financial reporting”). These separate financial statements differ from the consolidated financial statements also prepared by the Company and in which the financial statements of the Company and its subsidiaries (the “Group”) are presented by combining similar items of assets, liabilities, income and expenses and cash flows of the Company with similar items of its subsidiaries. Users of these separate financial statements should review it in conjunction with consolidated financial statements of the Group as at and for the year ended 31 December 2020 to obtain complete information on the financial position, financial results and changes in the financial position of the Group as a whole.

Basis of preparation

These financial statements have been prepared on the assumption that the Company is a going concern, which contemplates the realization of the Company’s assets and the settlement of the Company’s liabilities in the normal course of business.

However, as of 31 December 2020, the Company’s current liabilities (UAH 331,646 thousand) exceed current assets (UAH 166,739 thousand) by UAH 164,907 thousand (2019: by UAH 245,471 thousand). These events and conditions indicate the existence of significant uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the going concern assumption is to be carefully assessed by management to ensure the Company has sufficient funding for its business.

Management believes that preparation of the financial statements on a going concern basis is appropriate due to the following factors:

- As of 31 December 2020 current borrowings from third parties amounted to UAH 53,194 thousand: UAH 52,766 thousand of principal amount and interest accrued of UAH 428 thousand. Subsequently to the reporting date, the Company settled UAH 29,555 thousand of principal amount and interest accrued of UAH 1,522 thousand according to the schedule.
- As of 31 December 2020, the Company had undrawn long-term credit lines from related party amounted to UAH 44,108 thousand.
- Phases 2 (completion of the initial project) is planned to be put into operation by the end of July 2021. Major part of capital expenditures was already incurred as of 31 December 2020 and does not require further significant investments. It is expected, that this will significantly increase a cargo throughput and Company’s revenue.

- As of 31 December 2020 the Company's cash balance amounted to UAH 61,704 thousand. For the year ended 31 December 2020 the Company generated net cash from operating activities in amount of UAH 202,730. In accordance to the budget the Company expects to generate net cash from operations in amount of UAH 112,401 thousand. For 1Q 2021 ended 31 March 2021 the Company generated net cash from operating activities in amount of UAH 40,696 thousand, that is higher, than budgeted for respective period.
- The Company has a stable client with long-term agreement with guaranteed cargo turnover. According to the budget for the year ended 31 December 2021 cash generated by operating activities will be sufficient to cover the liquidity gap.

These financial statements of the Company are prepared on the historical cost basis, except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Company's financial assets are mostly presented by cash and cash equivalents, trade accounts receivable, other financial assets and are carried at amortized cost. Such financial assets are not traded in the active market and, due to their short-term nature, their fair value is estimated to be equal to their carrying amounts as of 31 December 2020 and 2019.

The Company's financial liabilities are carried at amortized cost. Trade accounts payable and other current liabilities are, as a rule, of short-term nature and the Company's management estimates their fair value to be equal to their carrying amounts as of 31 December 2020 and 2019.

The fair value of loans was estimated by discounting the estimated cash outflows at market interest rates. Management believes that the fair value of loans as of 31 December 2020 and 2019 approximates their carrying values.

(in Ukrainian Hryvnias and in thousands)

The fair value of cash and cash equivalents was included in Level 2 category of the fair value hierarchy. The fair values of trade accounts receivable, other financial assets, trade and other accounts payable, were included in Level 3 category of the fair value hierarchy.

Adoption of new and revised International Financial Reporting Standards

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2020. Their adoption did not have any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards. The Company has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC 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 Conceptual Framework. The Standards which are amended are 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.

Amendments to IAS 1 and IAS 8 Definition of material. The Company has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of “obscuring” material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from “could influence” to “could reasonably be expected to influence”. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of “material” or refer to the term “material” to ensure consistency.

The Company has not yet adopted any standards, interpretations or amendments that have been issued but are not yet effective.

New standards and interpretations issued but not in effect

A number of new Standards, amendments to Standards and Interpretations have been issued but are not yet in effect:

Standards and Interpretations	**Effective for annual accounting periods beginning on or after:**
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* – Sale or contribution of assets between an investor and its associate or joint venture	The effective date is not determined. Early application is allowed.
IFRS 17 *Insurance Contracts*	1 January 2023

(in Ukrainian Hryvnias and in thousands)

Standards and Interpretations	**Effective for annual accounting periods beginning on or after:**
Amendments to IFRS 9 *Financial Instruments*, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosure, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases* – Interest Rate Benchmark Reform (Phase 2)	1 January 2021
Annual improvements IFRS 1 *First-time Adoption of International Financial Reporting Standards* – Subsidiary as a first-time adopter	1 January 2022
Annual improvements IFRS 9 Financial Instruments – Fees in the "10 per cent" test for derecognition of financial liabilities	1 January 2022
Amendments to IFRS 3 *Business Combinations* – Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16 *Property, Plant and Equipment* – Proceeds before Intended Use	1 January 2022
Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* –Onerous Contracts – Costs of Fulfilling a Contract	1 January 2022
Amendments to IAS 1 *Presentation of Financial Statements* – Classification of Liabilities as Current or Non-Current	1 January 2023
Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practical Statement 2 – Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* – Definition of Accounting Estimates	1 January 2023

The Company does not plan to adopt these standards early. Management anticipates that the adoption of these standards will not have a material effect on the financial statements of the Company in future periods.

Functional and presentation currency

The functional currency of the Company is Ukrainian Hryvnia ("UAH"). Transactions in currencies, other than functional currency of the Company, are treated as transactions in foreign currencies. Monetary assets and liabilities denominated in such currencies are translated at the rates prevailing at the reporting date. All realized and unrealized gains and losses arising on exchange differences are included in statement of profit or loss and other comprehensive income for the period.

The relevant exchange rates were as follows:

	As of 31 December 2020	**Average for the year ended 31 December 2020**	**As of 31 December 2019**	**Average for the year ended 31 December 2019**
UAH/USD	28.2746	26.9639	23.6862	25.8373
UAH/EUR	34.7396	30.8013	26.4220	28.9406

Revenue recognition

The Company derives its revenue from contracts with customers for the transfer of services over time primarily from the cargo transshipment and personnel and equipment assignment services. Revenue is measured at the fair value of the consideration received or receivable. The Company recognizes revenue when it transfers control of service to a customer.

Revenue from services is recognized in the accounting period in which the services are rendered in proportion to the stage of completion of the transaction at the reporting date. Depending on the nature of the transaction, the stage of completion is assessed by reference to the proportion that cost incurred to the date bear to estimate total cost of the transaction, or services performed to date as percentage of total services to be performed.

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company has lease contracts for land plots.

The Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

- ***Right-of-use assets.*** The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life of the underlying assets and the lease term. Right-of-use assets are subject to impairment as non-current non-financial assets under IAS 36 requirements.

- ***Lease liabilities.*** At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs and presented within lease expenses.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. Incremental borrowing rate is determined as reference rate adjusted for financing spread of the Company and lease specific. Yield to maturity per Ukrainian government bonds denominated in USD, adjusted for the difference between UAH and USD inflation, is used as reference rate. Company's financing spread is estimated based on the borrowing rates available to the Company for short-term and long-term financing denominated in UAH secured by non-current assets. After the commencement date, the amount of lease liabilities is increased to reflect the unwinding of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments, a change in rate or index to which lease payments are linked or a change in the assessment to purchase the underlying asset.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

Property, plant and equipment

Property, plant and equipment are carried in the statement of financial position at their historical cost, less any accumulated depreciation and accumulated impairment losses. The historical cost of an item of property, plant and equipment comprises (a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; (b) any costs directly attributable to bringing the item to the location and condition necessary for it to be capable of operating in the manner intended by the Company's management; (c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the Company incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than rendering services during that period. The cost of self-constructed assets includes the cost of material, direct labor and an appropriate portion of production overheads. Capitalized 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 capitalization are charged to profit and loss when incurred.

Depreciable amount is the cost of the item of property, plant and equipment, less its residual value. The residual value is the estimated amount that the Company would currently obtain from disposal of the item of property, plant and equipment, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. Management estimates the residual values of assets to be equal to nil.

Depreciation of property, plant and equipment is recognized so as to write off the depreciable amount, less their residual values, over their useful life, using a straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Useful lives of the groups of property, plant and equipment are as follows:

Buildings and structures	10-50 years
Machinery and equipment	2-20 years
Office equipment and other fixed assets	2-20 years
Vehicles	7-20 years
Leasehold improvements	5-20 years

Properties in the course of construction for production, supply, or administrative purposes are carried at cost, less any recognized impairment losses. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policies. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Leasehold improvements are depreciated at a shorter period of useful lives or on expiry dates of the related lease agreements for the premises where such improvements have been made.

Property, plant and equipment constructed or installed on the rented land are depreciated at an expiry dates of the related lease agreements taking into consideration the renewal period of rent and certainty that it will be exercised.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and carrying amount of the asset and is recognized in profit or loss.

Impairment of tangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value, less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value represents the estimated selling price for inventories, less all estimated costs of completion and costs necessary to make the sale. Inventories are presented by spare parts, fuel and other inventories.

Taxation

Income tax expense represent the sum of the current and deferred taxes.

Current tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax. Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible differences can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred taxes for the year are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the particular instrument.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Classification of financial assets. The Company classifies financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

(a) The entity’s business model for managing the financial assets; and
(b) The contractual cash flow characteristics of the financial asset.

A financial asset is measured at amortized cost if both of the following conditions are met:

(a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

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

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Amortized cost and effective interest method. The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Financial assets of the Company are mostly presented by cash and cash equivalents, trade accounts receivable, interest-free loans issued.

Impairment of financial assets. The Company recognizes a loss allowance for expected credit losses on cash and cash equivalents, trade accounts receivable and other financial assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognizes lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk. In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor;
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligation.

Definition of default. The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company);
- Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of expected credit losses. The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including interest-free loans issued, trade accounts receivable and other current assets) are measured at amortized cost using effective interest rate method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Cash and cash equivalents

Cash and cash equivalents include deposits with initial maturity of less than three months or deposits on demand, cash on hand, cash on bank accounts and cash in transit.

De-recognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes collateralized borrowings for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue, or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are recognized initially at fair value plus or minus, in the case of a financial liability not at FVTPL, transaction costs that are directly attributable to the issue of the financial liability.

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

The Company's financial liabilities include trade and other accounts payable (Note 19), lease liabilities (Note 13), borrowings (Note 18).

Other financial liabilities

Other financial liabilities (including borrowings, trade and other accounts payable) are subsequently measured at amortized cost using the effective interest rate method.

Borrowings

Interest-bearing borrowings are initially measured at fair value, net of transaction costs and subsequently measured at amortized cost using the effective interest rate method.

Borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Trade and other accounts payable

Trade accounts payable and other current liabilities are subsequently measured at amortized cost using the effective interest rate method.

De-recognition of financial liabilities

The Company derecognizes financial liabilities when and only when, the Company's obligations are discharged, cancelled, or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Provisions

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Defined contribution state pension plan

The Company pays to the Ukrainian State Pension Fund an amount based on each employee’s wages. The Company’s cost for these contributions is included in the caption “Payroll and Related Charges”. These amounts are expensed when incurred. Amount of these expenses for the years ended 31 December 2020 and 2019 equaled to UAH 50,394 thousand and UAH 44,204 thousand, respectively.

Reclassifications

Certain comparative information presented in the financial statements for the year ended 31 December 2019 has been revised in order to achieve comparability with the presentation used in the financial statements for the year ended 31 December 2020.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company’s accounting policies, which are described in Note 4, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

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

(in Ukrainian Hryvnias and in thousands)

Recoverability of property, plant and equipment and right-of-use asset. At each reporting date, the Company assesses whether there is any indication that the recoverable amount of the Company's property, plant and equipment and right of use asset has declined below the carrying value.

The recoverable amount is the higher of an asset's fair value, less costs to sell and its value in use. When such a decline is identified, the carrying amount is reduced to the recoverable amount. The amount of the reduction is recorded in statement of profit or loss and other comprehensive income in the period in which the reduction is identified. If conditions change and management determines that the assets' value has increased, the impairment will be fully or partially reversed. No impairment loss on the Company's property, plant and equipment and right-of-use asset occurred in the years ended 31 December 2020 and 31 December 2019.

Considering the fact, that no indications of impairment were identified during the reporting period and as of the year end, the management does not expect any reasonable changes in recoverable amount of property, plant and equipment and right-of-use asset, which may have significant impact on the financial statements.

6. REVENUE

Revenue for the years ended 31 December 2020 and 2019 was as follows:

	2020	2019
Revenue from cargo transshipment	591,914	630,542
Revenue from personnel and equipment assignment services (Note 22)	277,242	224,347
Other revenue (Note 22)	11,570	7,150
Total	**880,726**	**862,039**

7. COST OF SALES

Cost of sales for the years ended 31 December 2020 and 2019 was as follows:

	2020	2019 (restated)
Payroll and related charges	245,982	217,120
Depreciation and amortization	102,906	86,467
Transportation expenses (Note 22)	90,154	99,172
Cost of materials used (Note 22)	51,207	51,391
Cargo forwarding services (Note 22)	31,610	35,087
Port services	29,746	28,829
Repairs and maintenance (Note 22)	23,382	20,275
Utilities	20,929	21,164
Other expenses (Note 22)	10,831	10,169
Total	**606,747**	**569,674**

(in Ukrainian Hryvnias and in thousands)

8. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended 31 December 2020 and 2019 were as follows:

	2020	2019
Payroll and related charges	63,165	48,068
Professional services	12,713	8,107
Other expenses (Note 22)	6,847	8,451
Total	**82,725**	**64,626**

Other services, except for obligatory audit services rendered by the auditor during the year ended 31 December 2020, included services related to procedures in respect of the special purpose report. Other non-audit services provided during the year ended 31 December 2020 included services related to tax and legal consultations.

9. FINANCE COSTS

Finance costs for the years ended 31 December 2020 and 2019 were as follows:

	2020	2019 (restated)
Interest expense on lease liabilities (Note 13)	45,837	46,960
Interest expense on borrowings from related parties (Note 22)	4,771	-
Interest expense on bank borrowings	1,123	-
Total	**51,731**	**46,960**

10. OTHER EXPENSES

Other expenses for the years ended 31 December 2020 and 2019 were as follows:

	2020	2019 (restated)
Charity	10,272	560
Personnel related expenses	5,921	3,785
Insurance	5,886	8,402
Construction in progress write-off (Note 12)	4,524	-
Other expenses (Note 22)	6,784	4,409
Total	**33,387**	**17,156**

Charity expenses mostly relate to expenses on lifting and towing the tanker "DELFI" from the coast in Odessa in amount of UAH 9,740 thousand.

(in Ukrainian Hryvnias and in thousands)

11. INCOME TAXES

The main components of income tax expense for the years ended 31 December 2020 and 2019 were as follows:

	2020	2019 (restated)
Current income tax expense	12,396	33,877
Deferred tax benefit	-	-
Income tax expense	**12,396**	**33,877**

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.
The current corporate income tax for the years ended 31 December 2020 and 2019 was accrued at 18%.

As of 31 December 2020 and 2019 deferred tax assets and liabilities consisted of the following:

	31 December 2020	31 December 2019
Deferred tax assets arising from:		
Other current liabilities	271	5,035
Inventories	581	581
Property, plant and equipment	123	124
Total deferred tax assets	**975**	**5,740**
Deferred tax liabilities arising from:		
Trade accounts receivable	(321)	(321)
Total deferred tax liabilities	**(321)**	**(321)**
Total deferred tax assets, net	**654**	**5,419**

Reconciliation of net deferred tax position for the years ended 31 December 2020 and 2019:

	2020	2019
Net deferred tax assets at 1 January	5,419	5,419
Deferred tax asset written-off	(4,765)	-
Net deferred tax assets at 31 December	**654**	**5,419**

Management made a decision to write off deferred tax asset based on assessment of its utilization.

(in Ukrainian Hryvnias and in thousands)

Reconciliation between income tax expense and profit before income tax under IFRS for the years ended 31 December 2020 and 2019 was as follows:

	2020	2019 (restated)
Profit before income tax	**68,464**	**188,499**
Income tax at the statutory tax rate of 18%	12,324	33,930
Non-deductible/(non-taxable) items	72	(53)
Income tax expense recognized in profit or loss	**12,396**	**33,877**

12. PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment for the years ended 31 December 2020 and 2019 were as follows:

	Buildings and structures	Machinery and equipment	Leasehold improvements	Vehicles	Office equipment and other fixed assets	Construction in progress and uninstalled equipment	Total
Cost							
As of 31 December 2018	**709,796**	**207,218**	**86,546**	**5,924**	**6,490**	**285,670**	**1,301,644**
Additions (restated)	136	517	-	-	209	198,469	199,331
Transfers	829	1,154	-	-	73	(2,056)	-
Reclassifications	-	-	(23,394)	-	-	23,394	-
Disposals	-	(495)	-	-	(50)	-	(545)
As of 31 December 2019 (restated)	**710,761**	**208,394**	**63,152**	**5,924**	**6,722**	**505,477**	**1,500,430**
Additions	17,361	548	3,626	596	1,033	16,874	40,038
Transfers	325,518	4,136	1,979	-	861	(332,494)	-
Disposals	-	(136)	-	(722)	(100)	-	(958)
Write-off	-	-	-	-	-	(4,524)	(4,524)
As of 31 December 2020	**1,053,640**	**212,942**	**68,757**	**5,798**	**8,516**	**185,333**	**1,534,986**
Accumulated depreciation							
As of 31 December 2018	**75,562**	**39,149**	**16,410**	**3,845**	**4,044**	**-**	**139,010**
Depreciation charges	20,278	13,004	4,969	368	737	-	39,356
Disposals	-	(495)	-	-	(43)	-	(538)
As of 31 December 2019	**95,840**	**51,658**	**21,379**	**4,213**	**4,738**	**-**	**177,828**
Depreciation charges	30,173	13,112	5,013	257	1,437		49,992
Disposals	-	(136)	-	(503)	(100)	-	(739)
As of 31 December 2020	**126,013**	**64,634**	**26,392**	**3,967**	**6,075**	**-**	**227,081**
Net book value							
As of 31 December 2020	**927,627**	**148,308**	**42,365**	**1,831**	**2,441**	**185,333**	**1,307,905**
As of 31 December 2019	**614,921**	**156,736**	**41,773**	**1,711**	**1,984**	**505,477**	**1,322,602**
As of 31 December 2018	**634,234**	**168,069**	**70,136**	**2,079**	**2,446**	**285,670**	**1,162,634**

(in Ukrainian Hryvnias and in thousands)

As of 31 December 2020 and 2019 buildings and structures, machinery and equipment, vehicles and items of construction in progress and uninstalled equipment with the carrying value of UAH 1,050,717 thousand and UAH 1,060,554 thousand, respectively, were used by the Company as a collateral to secure its borrowings (Note 18).

During the years ended 31 December 2020 and 2019 the Company capitalized, respectively, UAH 6,754 thousand and UAH 21,255 thousand of borrowing costs to property, plant and equipment. Apart from specific borrowings, the rate used to determine the amount of borrowing costs eligible for capitalization was 7 % during the year ended 31 December 2020 and 2019.

During the years ended 31 December 2020 and 2019 the Company capitalized, respectively, UAH 3,120 thousand and UAH 7,705 thousand of interest expenses on lease liabilities and UAH 4,285 thousand and UAH 8,973 thousand of right-of-use assets depreciation, respectively.

During the year ended 31 December 2020 the Company put into operation the fifth phase of the grain terminal for the total amount of UAH 233,175 thousand and open warehouse area for containers storage for the total amount of UAH 107,746 thousand.

13. LEASES

Set out below, are the carrying amounts of the Company’s right-of-use assets and the movements during the period:

Cost	
As of 1 January 2019	**387,529**
Additions	1,253
Remeasurement of lease liability	6,965
As of 31 December 2019	**395,747**
Additions	291
Remeasurement of lease liability	6,270
As of 31 December 2020	**402,308**
Accumulated depreciation	
As of 1 January 2019	-
Depreciation charge for the year (restated)	56,930
As of 31 December 2019 (restated)	**56,930**
Depreciation charge for the year	58,185
As of 31 December 2020	**115,115**
Carrying value	
As of 1 January 2019	**387,529**
As of 31 December 2019 (restated)	**338,817**
As of 31 December 2020	**287,193**

(in Ukrainian Hryvnias and in thousands)

Set out below, are the carrying amounts of the Company's lease liabilities and the movements during the period:

	Liabilities
As of 31 December 2019	**347,093**
Additions	291
Interest expense	48,957
Repayment of interests	(48,957)
Repayment of principal amount	(39,659)
Remeasurement of lease liability	14,079
As of 31 December 2020	**321,804**
Current lease liabilities	**92,330**
Non-current lease liabilities	**229,474**

	Liabilities
As of 1 January 2019	**372,433**
Additions	1,253
Interest expense	54,665
Repayment of interests	(54,665)
Repayment of principal amount	(33,558)
Remeasurement of lease liability	6,965
As of 31 December 2019	**347,093**
Current lease liabilities	**82,526**
Non-current lease liabilities	**264,567**

Some of leases in which the Company is the lessee contain variable lease payments depending on monthly inflation rate.

Amounts recognized in profit or loss were as follows:

	2020	**2019**
Depreciation expense on right-of-use assets	53,900	47,957
Interest expense on lease liabilities (Note 9)	45,837	46,960
Expense relating to variable lease payments	515	515

(in Ukrainian Hryvnias and in thousands)

14. TRADE ACCOUNTS RECEIVABLE

	31 December 2020	31 December 2019
Trade accounts receivable	22,576	25,274
Trade accounts receivable from related parties (Note 22)	18,269	15,266
Total	**40,845**	**40,540**

Trade receivables are non-interest bearing and are generally on 10-20 day credit terms.

The expected credit losses on trade accounts receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Company writes off a trade accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

There were no trade accounts receivable past due but not impaired as of 31 December 2020. As of 31 December 2019 accounts receivable past due but not impaired comprised UAH 371 thousand. As of 31 December 2020 and 2019 no additional expected credit loss allowance was accrued.

88% of total accounts receivable are presented by top-3 customers with high credit rating and low risk of default as of 31 December 2020 (31 December 2019: 79 %).

As of 31 December 2020 and 2019 trade accounts receivable in the amount of UAH 6,739 thousand and UAH 9,466 thousand, respectively, were used by the Company as a collateral to secure its borrowings (Note 18).

15. OTHER FINANCIAL ASSETS

	31 December 2020	31 December 2019
Interest free loans issued to third parties	30,561	1,561
Interest free loans issued to related parties (Note 22)	501	1,516
Total	**31,062**	**3,077**

During the year ended 31 December 2020 the Company issued interest-free loan in UAH to third party in amount of UAH 29,000 thousand with maturity in January, February and March 2021.

(in Ukrainian Hryvnias and in thousands)

16. CASH AND CASH EQUIVALENTS

As of 31 December 2020 and 2019 the balances of cash and cash equivalents were as follows:

	31 December 2020	31 December 2019
Cash in banks in foreign currency	57,627	12,753
Cash in banks in UAH	4,077	770
Total	**61,704**	**13,523**

The following table presents an analysis of cash and cash equivalents held with banks by rating agency designation based on Standard and Poor's rating (S&P):

	31 December 2020	31 December 2019
A+ AA-	93	619
BB+ B-	61,403	12,704
C	208	200
Total	**61,704**	**13,523**

17. ISSUED CAPITAL

As of 31 December 2020 and 2019 the authorized and fully paid capital of the Company was equal to UAH 2,116 thousand.

As of 31 December 2020 and 2019 the ownership structure of the Company was as follows:

Participant	Holding amount	Ownership interest
Yurol UK Limited	2,116	100%
Total issued capital	**2,116**	**100%**

Yurol UK Limited is controlled by Mr. Gubankov, who is the ultimate owner of the Company.

During the years ended 31 December 2020 and 2019 no profit distributions were made to the participant of the Company.

(in Ukrainian Hryvnias and in thousands)

18. BORROWINGS

As of 31 December 2020 and 2019, outstanding borrowings were presented as follows:

	Weighted average effective interest rate	31 December 2020	Weighted average effective interest rate	31 December 2019
Non-current:				
Unsecured loan from related party, USD-denominated (Note 22)	8.0%	40,715	7.0%	59,215
Total non-current		**40,715**		**59,215**
Current:				
Unsecured loan from related party, USD-denominated (Note 22)	6.0%	33,929		-
Secured bank loan, USD-denominated	12.4%	30,146	12.4%	75,762
Unsecured bank loan, USD-denominated	4.0%	22,620	4.75%	29,702
Unsecured loan from related party, EUR-denominated (Note 22)	8.0%	7,508	8.0%	5,711
Interest accrued (Note 22)		976		3,000
Total current		**95,179**		**114,175**
Total borrowings		**135,894**		**173,390**

As of 31 December 2020 and 2019, the maturities of borrowing facilities in accordance with the contractual loan schedules and future accrued interest payments were as follows:

	31 December 2020	31 December 2019
Due within one year	102,012	126,660
Due from one to five years	47,230	68,310
Total	**149,242**	**194,970**

As of 31 December 2020, undrawn short-term credit lines amounted to UAH 123,359 thousand, including UAH 95,979 thousand from related party (as of 31 December 2019: UAH 33,082 thousand, including UAH 12,785 thousand from related party).

As of 31 December 2020, undrawn long-term credit lines from related party amounted to UAH 44,108 thousand (as of 31 December 2019: UAH 130,274 thousand).

As of 31 December 2020 and 2019, the Company had to comply with certain financial and non-financial covenants imposed by the lending bank. The key covenants imposed to the Company refer to its financial performance. Among the key non-financial covenants there is a restriction to declare or pay any dividends or make any distribution of share capital till closing of the project and subject to additional conditions after closing, but till the liability on borrowings settled.

(in Ukrainian Hryvnias and in thousands)

As of 31 December 2019 the Company has breached a certain bank covenant. The Company did not fulfil the requirement to maintain debt service coverage ratio at the level of 1.25 as of the reporting date. As a result the bank was contractually entitled to request immediate repayment of outstanding loan amount. Respective non-current portion of long-term borrowings in amount of UAH 25,254 thousand was represented as current as of 31 December 2019.

As of 31 December 2020 and 2019, the borrowings were secured by the following assets:

	31 December 2020	31 December 2019
Property, plant and equipment (Note 12)	1,050,717	1,060,554
Cash in banks (Note 16)	60,967	13,139
Prepayments for property, plant and equipment	15,809	28,630
Trade accounts receivable (Note 14)	6,739	9,466
Total	**1,134,232**	**1,111,789**

As of 31 December 2020 and 2019, the ultimate owner and his close relatives and the entity controlled by the ultimate owner provided their properties as collateral to secure the Company's borrowings.

The table below details changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows as cash from financing activities.

	31 December 2019	Financing cash flows	Non-cash changes(i)	Other changes(ii)	31 December 2020
Borrowings	173,390	(66,835)	31,972	(2,633)	135,894
Lease liabilities	347,093	(39,950)	-	14,661	321,804
Total	**520,483**	**(106,785)**	**31,972**	**12,028**	**457,698**

i) Non-cash changes include unrealized foreign exchange loss/(gain) arose at borrowings denominated in foreign currency.

ii) Other changes include interest accruals and payments, effect from additions and remeasurement of lease liabilities.

For the year ended 31 December 2019:

	1 January 2019	Financing cash flows	Non-cash changes(i)	Other changes(ii)	31 December 2019
Borrowings	263,489	(61,630)	(32,406)	3,937	173,390
Lease liabilities	372,433	(33,558)	-	8,218	347,093
Total	**635,922**	**(95,188)**	**(32,406)**	**12,155**	**520,483**

(in Ukrainian Hryvnias and in thousands)

19. TRADE AND OTHER ACCOUNTS PAYABLE

As of 31 December 2020 and 2019, trade and other accounts payable were as follows:

	31 December 2020	31 December 2019
Payables for property, plant and equipment	41,440	40,475
Trade accounts payable to related parties (Note 22)	34,555	42,706
Trade accounts payable to third parties	12,033	21,100
Other payables	2,207	2,228
Total	**90,235**	**106,509**

20. OTHER CURRENT LIABILITIES

As of 31 December 2020 and 2019, other current liabilities were as follows:

	31 December 2020	31 December 2019
Provision for unused vacations	23,121	21,187
Settlements with employees and respective charges	14,662	13,359
Other current liabilities	2,363	1,826
Total	**40,146**	**36,372**

21. CONTINGENCIES AND CONTRACTUAL COMMITMENTS

Taxation

Ukraine's tax environment is characterized by complexity in tax administration, arbitrary interpretation by tax authorities of tax laws and regulations that, inter alia, could increase fiscal pressure on taxpayers. Inconsistent application, interpretation, and enforcement of tax laws can lead to litigations resulting in the imposition of additional taxes, penalties, and interest, which could be material.

In 2019, the State's tax policy was amended in order to be in line with OECD guidance for Base Erosion and Profit Shifting (BEPS) prevention.

Ratification of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting ("MLI"). On 8 August 2019, Ukraine has deposited with the OECD its instrument of ratification of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting ("Multilateral Convention"). The Multilateral Convention is intended to automatically modify all existing bilateral treaties/conventions for the avoidance of double taxation specified by the signatories to the Multilateral Convention in their notifications to the Depository (OECD).

The main change introduced by the MLI is the Principal Purpose Test (“PPT”). It provides that the benefits of double tax treaties (DTT) must not be applied to the payments to non-residents if the main or one of the main purposes of the transaction turns out to receive such benefits. In practice, this means that tax authorities may challenge application of DTTs by questioning the purpose of incorporation of non-resident legal entity and the nature of payments to such non-resident.

Therefore, application of reduced withholding tax (“WHT”) rates and other benefits granted by the DTT may be challenged.

Reform bill No. 466-IX. On 16 January 2020, the Ukraine parliament adopted a tax reform bill containing significant proposed changes to the tax legislation, including recommendations under the OECD base erosion and profit shifting (BEPS) project, as well as significant changes to tax administration procedures. Measures in the reform include the introduction of the three-tiered transfer pricing reporting requirements, a new fixed ratio rule that limit the amount of interest expense, general anti-abuse rules (GAAR), new controlled foreign company (CFC) rules, and a mutual agreement procedure (MAP).

The new Law No. 466-IX was signed by the President of Ukraine on 21 May 2020 and partially came into force from 23 May 2020. The major changes that may affect the Company’s tax position:

Introduction of a “business purpose test”. The tax reform bill would introduce anti-abuse rules, particularly a “business purpose test” in transactions with non-residents for corporate income tax and transfer pricing purposes. The business purpose test already has been applied by Ukraine’s tax authorities as judicial concept, under which deductions are disallowed for expenses in transactions entered into without genuine business reasons. The new law translates the existing practice into domestic law. Business purpose test, which foresees any expenses incurred during 2020 within the transactions with non-residents (regardless of their type) are restricted from tax-deduction if they do not result in economic benefits. Starting from 2021, the business purpose test is applicable only to transactions subject to transfer pricing compliance. Starting from 2022, it will also apply to transactions with “low-tax” non-residents, as well as to royalty payments to non-residents of Ukraine.

Introduction of three-tiered transfer pricing reporting in accordance with BEPS action 13. In addition to a local file, multinational enterprises (MNEs) would be required to prepare a master file and a country-by-country (CbC) report. Proposed revenue thresholds are in line with OECD recommendations (i.e., EUR 50 million for master files and EUR 750 million for CbC reports). The first reporting year for master files and CbC reports would be 2021 (but not earlier than when Ukraine joins the CbCR MCAA).

Introduction of dividend-equivalent payments. Transfer pricing adjustments and certain other payments to non-residents (payments for buyout of shares and certain types of divestment) would be treated as dividend-equivalent payments subject to a 15% withholding tax.
Effective date: 1 January 2021

Repeal of the thin capitalization rules and introduction of a fixed ratio rule under BEPS action 4. The tax reform bill repealed the current thin capitalization rules and introduce a fixed ratio rule. The new rule would apply to transactions with related and unrelated persons (whether or not resident in Ukraine) if the debt is greater than 3.5 times an entity’s equity. Debt attributable to all non-resident creditors would be compared with the relevant entity’s equity (currently, only debt with related non-resident entities is considered). If the debt-to-equity ratio is exceeded, the relevant entity’s deductions for all interest, (and economically equivalent payments) would be limited to 30% of tax EBITDA (rather than the current rule of 50% of financial EBITDA).

Interest expenses above the limit could be carried forward and deductible against corporate income tax. The non-deductible interest may be carried forward indefinitely, but it would be subject to an annual 5 percent disallowance.

Sales to residents from low-tax jurisdictions. 30% upward adjustment (increase of taxable base) on sales to residents from low-tax jurisdictions and to fiscally transparent entities Resident companies would be required to increase their taxable base for corporate income tax purposes by 30% of the value of the goods and services sold to residents of low tax jurisdictions and foreign companies having special legal forms (the lists of low tax jurisdiction and fiscally transparent entities are approved by the Government).

Mutual agreement procedure. The MAP for resolving tax disputes under double tax treaties would be introduced into domestic law (current tax laws do not provide for this type of procedure). MAP requests would be filed with the Ministry of Finance by both residents and non-resident taxpayers who believe that actions or decisions of the tax authorities (both Ukrainian and foreign) have resulted or will result in taxation not in accordance with the relevant tax treaty.

Temporary VAT holiday (until the end of 2021) for export of soybean and rape was abolished. Therefore, traders of these crops are eligible for 0% VAT export rate application, which gives them the opportunity to recover VAT credit accumulated from the purchase of these goods.

Controlled foreign companies. CFC rules that tax undistributed profits of CFCs at the level of the resident owner would be introduced (controlling shareholder) (whether an individual or a legal person). A CFC would be defined broadly to include corporate entities, as well as certain transparent entities (e.g., trusts, investment funds, and other arrangements without a separate corporate legal personality) if those entities are used to circumvent disclosure of control over a foreign legal entity.

CFC’s income would be taxable, unless any exemptions could be applied. If a Ukraine resident controlling shareholder meets the minimum control threshold, income would be attributed to that shareholder. The amount of income to be attributed to each controlling shareholder would be calculated by reference to both their proportion of ownership and their actual period of ownership or control over the CFC. For CFC taxation purposes, the reporting period would be a calendar year or other fiscal year as the CFC may apply for financial reporting in the jurisdiction of tax residence.
The taxable income of each CFC would be included in the annual income of a controlling shareholder for income tax purposes and reported in the annual tax return.

An 18% tax would apply on the undistributed income of a CFC calculated under the applicable tax laws. Distributed income of a CFC could be subject to an 18% or 9% rate depending on the period of distribution. The lower 9% rate would apply if CFC income is distributed by CFC to the resident controlling shareholder as dividends, provided that distribution is made by CFC before filing of the CFC report in Ukraine or by the end of the second calendar year that follows the reporting year.
18% rate would apply if distribution is made later.

The new CFC rules will be introduced in phases starting from 2021.

Permanent establishments of foreign companies in Ukraine. The entry into force of updated rules for determination of a permanent establishment ("PE"), which, in fact, have been in force since 23 May 2020, has been postponed to 1 January 2021.

All permanent establishments of non-residents that actually operate but have not been registered yet should be registered by 1 April 2021. Starting from 1 July 2021, the tax authorities will be authorized to inspect the activities of non-residents and independently register PEs if there are grounds to do so.

If a non-resident is registered by a supervisory authority in view of non-resident's operation through a permanent establishment, such registration now constitutes a reason for unfreezing property. Calculation of taxable profit of a permanent establishment under the new rules (i.e. only based on a "direct" method in compliance with the arm's length principle) is applicable from 1 January 2021.

Liability for carrying out activities by a non-resident without tax registration will apply to tax periods from 1 January 2021.

Other changes in 2021 calendar year. On 25 February 2021, amendments to the Tax Code of Ukraine came into force introducing 14% VAT rate, applicable to transactions of import and supply of certain agricultural products within the customs territory of Ukraine.

The 14% rate is effective from 1 March 2021.

Management believes that the Company has been in compliance with all requirements of the effective tax legislation and currently is assessing the possible impact of the introduced amendments.

The Company is subject to legal actions and complaints in its ordinary course of business. Management assessed its maximum exposure to tax risks related to possible penalties payments for total amount of UAH 1,500 thousand as of 31 December 2020. As of 31 December 2019 management believed that it was unlikely that a significant settlement or loss of assets will arise out of actions and complaints and no respective provision was required in the financial statements of the Company as at 31 December 2019.

Legal issues

The Company is involved in litigations and other claims that are in the ordinary course of its business activities. Management believes that the resolution of such matters will not have a material impact on its financial position or operating results.

(in Ukrainian Hryvnias and in thousands)

Commitments on acquisition of property, plant and equipment and construction services

During the years ended 31 December 2020 and 2019, the Company entered into the agreements on acquisition of property, plant and equipment and construction services to develop its own production facilities. As of 31 December 2020 and 2019, the Company’s liabilities on such commitments amounted to UAH 69,051 thousand and UAH 54,930 thousand, respectively.

22. RELATED PARTY TRANSACTIONS

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties include the immediate participant, the ultimate owner, close relatives of the ultimate owner, entities under joint control and significant influence of the ultimate owner, entities under common control of the ultimate owner and key management personnel.

Transactions with the entities under common control of the ultimate owner for the years ended 31 December 2020 and 2019 were as follows:

Nature of transactions	2020		2019 (restated)	
	Related parties transactions	Total turnover	Related parties transactions	Total turnover
Purchases of services				
Cargo forwarding services (Note 7)	31,610	31,610	35,087	35,087
Transportation expenses (Note 7)	17,213	90,154	16,706	99,172
Repairs and maintenance (Note 7)	6,406	23,382	6,601	20,275
Other expenses (Note 7)	4,976	10,831	4,978	10,169
Cost of materials used (Note 7)	9	51,207	49	51,391
Financial costs				
Interest expense on borrowings from related parties (Note 9)	2,576	4,771	-	-
Selling and distribution expenses				
Selling and distribution expenses	500	5,133	559	4,972
Other expenses				
Other expenses (Note 10)	480	6,784	563	4,409
Revenue				
Other revenue (Note 6)	5,517	11,570	2,458	7,150
Capitalised borrowing costs				
Capitalised borrowing costs	365	6,754	1,108	21,255

(in Ukrainian Hryvnias and in thousands)

Transactions with the entities under joint control and significant influence of the ultimate owner for the years ended 31 December 2020 and 2019 were as follows:

Nature of transactions	2020		2019 (restated)	
	Related parties transactions	Total turnover	Related parties transactions	Total turnover
Revenue				
Revenue from personnel and equipment assignment services (Note 6)	275,934	277,242	223,232	224,347
Purchases of services				
Transportation expenses (Note 7)	40,348	90,154	42,485	99,172
Other expenses				
Other expenses (Note 10)	102	6,784	328	4,409

Transactions with the immediate participant and beneficial owner for the years ended 31 December 2020 and 2019 were as follows:

Nature of transactions	2020		2019 (restated)	
	Related parties transactions	Total turnover	Related parties transactions	Total turnover
General and administrative expenses				
Other expenses (Note 8)	1,542	6,847	1,491	8,451
Financial costs				
Interest expense on borrowings from related parties (Note 9)	2,195	4,771	-	-
Capitalised borrowing costs				
Capitalised borrowing costs	311	6,754	2,083	21,255

(in Ukrainian Hryvnias and in thousands)

Balances with the entities under common control of the ultimate owner as of 31 December 2020 and 2019 were as follows:

Nature of balances	31 December 2020		31 December 2019 (restated)	
	Balances with related parties	Total balance	Balances with related parties	Total balance
Prepayments to suppliers and other current assets				
Prepayments to suppliers and other current assets	64	13,703	79	22,394
Trade accounts receivable				
Trade accounts receivable from related parties (Note 14)	153	18,269	131	15,266
Other financial assets				
Interest free loans issued to related parties (Note 15)	501	501	1,516	1,516
Trade and other accounts payable				
Trade accounts payable to related parties (Note 19)	13,430	34,555	18,195	42,706
Borrowings				
Loans (Note 18)	40,991	135,894	31,866	173,390

Balances with the entities under joint control and significant influence of the Company’s ultimate owner as of 31 December 2020 and 2019 were as follows:

Nature of balances	31 December 2020		31 December 2019 (restated)	
	Balances with related parties	Total balance	Balances with related parties	Total balance
Trade accounts receivable				
Trade accounts receivable from related parties (Note 14)	18,116	18,269	15,135	15,266
Trade and other accounts payable				
Trade accounts payable to related parties (Note 19)	21,125	34,555	24,511	42,706

Balances with the immediate participant as of 31 December 2020 and 2019 were as follows:

Nature of balances	31 December 2020		31 December 2019 (restated)	
	Balances with related parties	Total balance	Balances with related parties	Total balance
Borrowings				
Loans (Note 18)	41,709	135,894	34,856	173,390
Trade and other accounts payable				
Payables for property, plant and equipment (Note 19)	41,337	41,440	34,629	40,475

(in Ukrainian Hryvnias and in thousands)

During the years ended 31 December 2020 and 2019, remuneration to the key management personnel of the Company amounted to UAH 35,946 thousand and UAH 29,386 thousand, respectively, which is included in general and administrative expenses (Note 8).

23. FINANCIAL RISK MANAGEMENT

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to the participant through the optimization of the debt and equity balance. Management of the Company reviews the capital structure on a regular basis and takes steps to balance its overall capital structure through the attraction of new debt and increase of issued capital to keep net debt to equity ratio at an acceptable level.

Major categories of financial instruments

The Company’s principal financial liabilities comprise borrowings, lease liabilities, trade and other accounts payable. The main purpose of these financial instruments is to raise finance for the Company’s operations. The Company has various financial assets, such as trade accounts receivable, cash and cash equivalents and other financial assets.

	31 December 2020	31 December 2019
Financial assets		
Cash and cash equivalents	61,704	13,523
Trade accounts receivable	40,845	40,540
Other financial assets	31,062	3,077
Total financial assets	**133,611**	**57,140**
Financial liabilities		
Lease liabilities	321,804	347,093
Borrowings	135,894	173,390
Trade and other accounts payable	90,235	106,509
Total financial liabilities	**547,933**	**626,992**

The main risks arising from the Company’s financial instruments are credit, liquidity and foreign currency risks. As all Company’s borrowings are at fixed rates, the Company has no exposure to interest rate risk.

(in Ukrainian Hryvnias and in thousands)

Credit risk

The Company is exposed to credit risk, which is the risk that one party to a financial instrument will fail to discharge its obligations and cause the other party to incur financial losses.

The Company generates revenues mainly from providing cargo transshipment services. The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to each customer.

The Company’s three largest debtors as of 31 December 2020 and 2019 had outstanding balances of trade accounts receivable of UAH 36,029 thousand and UAH 31,898 thousand, respectively, representing 88% and 79% of total balance of trade accounts receivable as of those dates.
The approved credit period for most debtors is set up at 30 days.

Carrying amounts of financial assets represent a maximum exposure to credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to settle all liabilities when they become due. As shown in the financial statements, as of 31 December 2020 and 2019, the Company’s current liabilities exceeded its current assets by UAH 164,907 thousand and UAH 245,471 thousand, respectively. The Company’s liquidity position is carefully monitored and managed. The Company has in place a detailed budgeting and cash forecasting process to help ensure that it has adequate cash available to meet its payment obligations. The Company manages liquidity risk by maintaining adequate reserves and cash on bank accounts, by continuously monitoring forecast and actual cash flows. The Company’s management performs monitoring of the turnover of purchases limits to manage Company’s liquidity.

Trade accounts payable represent amounts payable for supply of services. The average credit period on purchase of majority of services is 60 days. No interest is charged on the outstanding balance of trade accounts payable during credit period.

The following table details the Company’s remaining contractual maturity for its financial liabilities as of 31 December 2020. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

	Up to 3 months	3-12 months	More than one year	Total
Trade and other accounts payable	90,235	-	-	90,235
Borrowings	24,734	77,278	47,230	149,242
Lease liabilities	31,572	70,412	378,008	479,992
Total	**146,541**	**147,690**	**425,238**	**719,469**

(in Ukrainian Hryvnias and in thousands)

The following table details the Company’s remaining contractual maturity for its financial liabilities as of 31 December 2019. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

	Up to 3 months	3-12 months	More than one year	Total
Trade and other accounts payable	106,509	-	-	106,509
Borrowings	87,427	39,233	68,310	194,970
Lease liabilities	22,343	67,029	449,077	538,449
Total	**216,279**	**106,262**	**517,387**	**839,928**

Foreign currency risk

Currency risk is the risk that the financial results of the Company will be adversely impacted by changes in exchange rates to which the Company is exposed. The Company has significant borrowings in foreign currencies. The Company has not entered into transactions designed to hedge its foreign currency risk. At the same time, management of the Company is trying to mitigate the risk by setting limits on the level of exposure by currencies to the existing borrowings.

	USD	
	31 December 2020	31 December 2019
Cash and cash equivalents	57,627	12,753
Trade accounts receivable	1,654	1,353
Borrowings	(128,287)	(167,527)
Trade and other accounts payable	(41,337)	(34,629)
Total net position	**(110,343)**	**(188,050)**

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change for 2020 and 2019 in foreign currency rates. A negative number below indicates a decrease in profit where Ukrainian Hryvnia weakening by 10% for 2020 and 2019 against the relevant currency. For a respective strengthens of Ukrainian Hryvnia against the relevant currency, there would be an equal impact on the profit with the opposite value.

	UAH/USD – impact on profit after tax	
	2020	2019
	+/- 10%	+/- 10%
Profit or loss after income tax	(9,048)	(15,420)

24. SUBSEQUENT EVENTS

Subsequently, till the financial statements were approved, the Company has settled scheduled payments related to principal amount of the borrowings and interests accrued in the amount of UAH 33,128 thousand.

25. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by management on 9 June 2021.

(in US dollars and in thousands)

A. Translation of financial information into a different presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The functional currency of the Company is Ukrainian Hryvnia (“UAH”). The Company prepares its financial statements in accordance with International Financial Reporting Standards (“IFRS”).

For the purpose of additional analysis the Company prepares supplementary financial information, which is presented in USD. Such presentation in USD is considered to be more convenient for certain users.

The supplementary financial information presented in USD consists of the following:

- Statement of profit or loss and other comprehensive income;
- Statement of financial position;
- Statement of cash flows.

The supplementary financial information in USD is not a part of the Company’s financial statements.

For the purpose of presentation of the supplementary financial information the assets and liabilities of the Company as of reporting date are translated from Ukrainian Hryvnias into US Dollars at the exchange rate effective at the reporting date, share capital are translated at historic exchange rates, statement of profit or loss and other comprehensive income and statement of cash flows are translated at the average exchange rates. The foreign exchange differences for the period arising on the retranslation are presented within other comprehensive income line. Translation reserve does not include accumulated exchange difference for the previous periods.

During 2020 and 2019 the Company has used the following rates of Ukrainian Hryvnia for one US Dollar:

	As of 31 December 2020	**Average for the year ended 31 December 2020**	**As of 31 December 2019**	**Average for the year ended 31 December 2019**
UAH/USD	28.2746	26.9639	23.6862	25.8373

LLC "BROOKLYN-KIEV"

SUPPLEMENTARY INFORMATION
(in US dollars and in thousands)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Year ended 31 December 2020	Year ended 31 December 2019 (restated)
Revenue	32,663	33,364
Cost of sales	(22,502)	(22,049)
Gross profit	**10,161**	**11,315**
Selling and distribution expenses	(190)	(192)
General and administrative expenses	(3,068)	(2,501)
Finance costs	(1,919)	(1,818)
Finance income	7	24
Foreign exchange (loss)/gain, net	(1,214)	1,131
Other expenses, net	(1,238)	(664)
Profit before income tax	**2,539**	**7,295**
Income tax expense	(460)	(1,311)
Profit for the year	**2,079**	**5,984**
Other comprehensive income	96	(543)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,175**	**5,441**

LLC "BROOKLYN-KIEV"

SUPPLEMENTARY INFORMATION
(in US dollars and in thousands)

STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2020

	31 December 2020	31 December 2019 (restated)
Assets		
Non-current assets		
Property, plant and equipment	46,257	55,839
Right-of-use assets	10,157	14,304
Intangible Assets	21	22
Prepayments for Property, Plant and Equipment and other non-current assets	559	1,209
Deferred tax assets	23	229
Other non-current assets	113	135
Total non-current assets	**57,130**	**71,738**
Current assets		
Inventories	687	765
Trade accounts receivable	1,445	1,712
Other financial assets	1,099	130
Prepayments to suppliers and other assets	485	945
Value added tax recoverable	-	186
Cash and cash equivalents	2,182	571
Total current assets	**5,898**	**4,309**
Total assets	**63,028**	**76,047**
Equity and liabilities		
Issued capital	419	419
Retained earnings	40,885	47,500
Translation reserve	440	(213)
Total equity	**41,744**	**47,706**
Non-current liabilities		
Borrowings	1,440	2,500
Long-term lease liabilities	8,116	11,170
Total non-current liabilities	**9,556**	**13,670**
Current liabilities		
Trade and other accounts payable	3,191	4,497
Borrowings	3,366	4,820
Short-term lease liabilities	3,265	3,484
Other current liabilities	1,420	1,535
Value-added tax payable	250	-
Corporate income tax payable	236	335
Total current liabilities	**11,728**	**14,671**
Total liabilities	**21,284**	**28,341**
Total equity and liabilities	**63,028**	**76,046**

LLC “BROOKLYN-KIEV”

SUPPLEMENTARY INFORMATION
(in US dollars and in thousands)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Year ended 31 December 2020	Year ended 31 December 2019 (restated)
Cash flows from operating activities		
Profit before income tax	2,539	7,295
Adjustments to reconcile profit before income tax to net cash provided by operations:		
Depreciation and amortization of property, plant and equipment and intangible assets	1,860	1,524
Depreciation of right-of use-asset	1,999	1,856
Change in provision for unused vacations	72	162
Loss on disposal of property, plant and equipment	8	-
Property, plant and equipment write-off	168	
Net unrealized foreign exchange losses/ (gain)	1,021	(1,428)
Interest expense on lease liabilities	1,700	1,818
Interest expense on loans	219	-
Finance income	(7)	(24)
Operating profit before working capital changes	**9,579**	**11,203**
Change in trade accounts receivable	16	383
Change in prepayments to suppliers and other assets	322	(439)
Change in inventories	(48)	(84)
Change in value added tax recoverable	163	(158)
Change in trade accounts payable	(362)	1,213
Change in other current liabilities	68	(211)
Change in value added tax payable	263	-
Cash generated by operations	**10,001**	**11,907**
Income tax paid	(536)	(1,393)
Interest received	7	24
Interests paid on loans	(253)	-
Interests paid on leases	(1,700)	(1,818)
Net cash generated by operating activities	**7,519**	**8,720**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(448)	(5,964)
Acquisition of intangible assets	(9)	(14)
Financial aid provided	(1,076)	-
Purchase of long-term investments	-	(19)
Interest paid	(403)	(1,140)
Net cash used in investing activities	**(1,936)**	**(7,137)**
Cash flows from financing activities		
Proceeds from borrowings	907	3,217
Payment of principal amounts on borrowings	(3,386)	(5,602)
Repayment of lease liabilities	(1,482)	(1,299)
Net cash used in financing activities	**(3,961)**	**(3,684)**
Net increase/(decrease) in cash and cash equivalents	**1,622**	**(2,101)**
Cash and cash equivalents, at the beginning of the year	**571**	**2,287**
Effect of foreign exchange rates on cash and cash equivalents	(11)	385
Cash and cash equivalents, at the end of the year	**2,182**	**571**