

LANDTECH LIMITED LIABILITY COMPANY

FINANCIAL STATEMENTS

for the year ended 31 December 2020

Together with Independent Auditor's Report

FINANCIAL STATEMENTS

For the year ended 31 December 2020 (in thousands of Ukrainian hryvnya)

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INDEPENDENT AUDITOR'S REPORT

To the Owners and Management of the Limited Liability Company LANDTECH

Opinion

We have audited the financial statements of the Limited Liability Company LANDTECH (code EDRPOU 37503074, location: 425 office, 7 building, Elvorti Street, Kropyvnytskyi city, Kirovograd region, 25002; hereinafter referred to as the "Company"), comprised of:

- The Balance Sheet (the Statement of Financial Position) as at 31 December 2020;
- The Income Statement (the Statement of Comprehensive Income for 2020);
- The Statement of Cash Flows (under direct method) for 2020;
- The Statement of Changes in Equity for 2020;
- Notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and cash flows for the year then ended, in accordance with the requirements of International Financial Reporting Standards ("IFRS") and the Law of Ukraine "On accounting and financial reporting in Ukraine" dated 16.07.1999 No. 996-XIV in respect of financial reporting preparation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under these standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and the ethical requirements applied in Ukraine to our audit of financial statements, 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.

Other information

Management of the Company is responsible for the other information prepared as at and for the year ended 31 December 2020.

Other information consists of the Management Report for 2020, prepared in accordance with the requirements of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" dated 16.07.1999 No. 996-XIV.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

The Company prepared and made public the Management Report for 2020 on 06.04.2021. In the Management Report for 2020, we did not identify any material discrepancy between the other information and financial statements or our knowledge obtained during the audit, or whether this information appears to be materially misstatement, and we did not find any facts that would need to be included in our independent auditor's report.

Responsibility of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS and the requirements of Law of Ukraine "On accounting and financial reporting in Ukraine" dated 16.07.1999 No. 996-XIV in respect of financial reporting preparation, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibility for the audit of the financial statements

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance the assertion that we have complied with the relevant ethical requirements for independence, and inform them of all relations and other issues that could reasonably be considered influencing our independence, and, where applicable, of relevant preventive measures.

The audit was performed under the supervision of the Key Audit Partner, Oleksandr M. Nikolaenko.

Key Audit Partner



O. M. Nikolaenko

Number of registration with the Register of auditors and audit companies: 101514

Kyiv, 9 April 2021

Limited Liability Company BDO. Identification code under EDRPU: 20197074. Number of registration with the Register of Auditors and Audit Companies: 2868. Legal address: 4, Andriia Fabra Str., Dnipro, 49070. Tel 044-393-26-91.

BDO LLC is included in the Register of auditors and audit companies in section 4 «Audit companies that have the right to conduct statutory audit of financial statements of public interest entities». Link to the Register: <https://www.apu.com.ua/subjekty-audytorskoj-dijalnosti-jaki-majut-pravo-provodyty-obovjazkovyj-audyt-finansovoi-zvitnosti-pidpryjemstv-shho-stanovljat-suspilnyj-interes/>

FINANCIAL STATEMENTS**For the year ended 31 December 2020 (in thousands of Ukrainian hryvnya)****STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS**

for the year ended 31 December 2020

The following statement, which should be read in conjunction with the independent auditor's responsibilities stated in the Independent Auditors' Report set out on pages I-III, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditor in relation to the financial statements of Limited Liability Company LANDTECH (hereinafter – "the Company").

The Company's Management is responsible for the preparation of the financial statements that present fairly, in all material respects, the financial position of the Company as at 31 December 2020, as well as cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards (hereinafter – "IFRS").

In preparing the financial statements, the Company's management is responsible for:

- selecting suitable accounting principles and applying them consistently;
- making reasonable assumptions and estimates;
- compliance with relevant IFRS and disclosure of all material departures in Notes to the financial statements;
- preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business for the foreseeable future.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Company;
- maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- taking such steps that are reasonably available to them to safeguard the assets of the Company; and
- preventing and detecting fraud and other irregularities.

The Company's financial statements for 2020 were approved on 9 April 2021 on behalf of the Company's management:

Pinchuk V.V.
CEO of Landtech LLC

Kropyvnytskyi, Ukraine
09 April 2021

Dymura O.V.
Chief Accountant of Landtech LLC



STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020 (in thousands of UAH)

	Note	Year ended 31.12.2020	Year ended 31.12.2019
Revenue	7	992 939	1 195 034
Cost of sales	8	(817 045)	(1 032 088)
Gross profit		175 894	162 946
Other income	7	87 829	63 522
Administrative expenses	8	(27 781)	(30 894)
Distribution costs	8	(97 028)	(103 245)
Other expenses	8	(71 981)	(5 830)
Operating profit		66 933	86 499
Financial income	7	768	1 589
Financial expenses	8	(16 449)	(12 279)
Profit before tax		51 252	75 809
Income tax expenses	11	(8 307)	(14 066)
Profit for the period		42 945	61 743
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		42 945	61 743

Pinchuk V.V.

CEO of Landtech LLC

Kropyvnytskyi, Ukraine



09 April 2021



Dymura O.V.

Chief Accountant of Landtech LLC



STATEMENT OF FINANCIAL POSITION

As at 31 December 2020 (in thousands of UAH)

	Note	31.12.2020	31.12.2019
ASSETS			
Non-current assets			
Property, plant and equipment	12	143 459	135 192
Right-of-use assets	13	3 373	5 539
Intangible assets	14	1 338	1 293
Deferred tax assets	11	343	260
Total non-current assets		148 513	142 284
Current assets			
Inventories	15	253 988	431 730
Trade accounts receivable	16	54 806	24 694
Other current accounts receivable	16	595	1 536
Advances made		11 342	3 429
Current tax assets	17	144	17 842
Income tax prepaid	17	-	1 484
Cash and cash equivalents	18	34 442	15 081
Total current assets		355 317	495 796
TOTAL ASSETS		503 830	638 080
EQUITY AND LIABILITIES			
Equity			
Issued capital	19	43 581	43 581
Additional capital	19	555	555
Retained earnings		193 116	150 171
Total equity		237 253	194 307
Long-term liabilities			
Long-term lease liabilities	20	3 485	3 077
Long-term financial liabilities	21	-	60 163
Total long-term liabilities		3 485	63 240
Short-term liabilities			
Short-term financial liabilities		-	-
Current portion of long-term loan liabilities	21	71 782	-
Current portion of long-term lease liabilities	20	14 023	23 958
Trade accounts payable	23	51 211	268 005
Advances received		103 120	67 832
Current tax liabilities	24	7 060	135
Reserves	22	5 413	7 650
Other liabilities	23	10 484	12 953
Total short-term liabilities		263 091	380 533
TOTAL EQUITY AND LIABILITIES		503 830	638 080

Pinchuk V.V.

CEO of Landtech LLC

Kropyvnytskyi, Ukraine

09 April 2021



Dymura O.V.

Chief Accountant of Landtech LLC



STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019 (in thousands of UAH)

	Issued capital	Additional capital	Retained earnings	Total equity
Balance as at 31.12.17	43 581	555	36 448	80 584
Profit for the period	-	-	51 980	51 980
Total comprehensive income	-	-	51 980	51 980
Balance as at 31.12.18	43 581	555	88 428	132 564
Profit for the period	-	-	61 743	61 743
Total comprehensive income	-	-	61 743	61 743
Balance as at 31.12.19	43 581	555	150 171	194 307
Profit for the period			42 945	42 945
Total comprehensive income			42 945	42 945
Balance as at 31.12.20			193 116	237 252

Pinchuk V.V.

Dymura O.V.

CEO of Landtech LLC
Kropyvnytskyi, Ukraine

Chief Accountant of Landtech LLC

09 April 2021




STATEMENT OF CASH FLOWS

For the year ended 31 December 2020 (in thousands of UAH)

	Year ended 31.12.2020	Year ended 31.12.2019
Cash flows from operating activities		
Proceeds		
Sale of products (goods, works, services)	1 406 740	1 458 114
Refund of advances	-	13 135
Interest income on accounts balances	786	1 507
Other proceeds	(98)	1 682
Payments		
Payments to suppliers for goods, works and services	(1 072 459)	(1 092 175)
Payments on salary	(55 935)	(54 378)
Payments of taxes and charges:	(201 058)	(247 282)
- including income tax	(290)	(15 227)
Refund of advances	-	(18 717)
Other payments	(12 254)	(9 786)
Net cash flow received from operating activity	65 721	52 100
Cash flow from investing activity		
Acquisition of non-current assets	(4 214)	(31 048)
Sale of non-current assets	1 833	72
Net cash flows used in investing activities	(2 381)	(30 976)
Cash flows from financing activities		
Receipt of credit funds	-	-
Loans repayment	(5 517)	(16 356)
Repayment of lease liabilities	(38 500)	(17 428)
Net cash flows from/(used in) financing activities	(44 017)	(33 784)
Net cash flow for the reporting period	19 323	(12 660)
Opening balance of cash and cash equivalents	15 081	27 955
Impact of foreign exchange rates change	39	(214)
Closing balance of cash and cash equivalents	34 442	15 081

Pinchuk V.V.

CEO of Landtech LLC

Kropyvnytskyi, Ukraine

09 April 2021

Dymura O.V.

Chief Accountant of Landtech LLC




NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (in thousands of UAH)

1. GENERAL INFORMATION

Limited Liability Company LANDTECH (hereinafter – the “Company”) was registered by the Kropyvnytskyi Executive Committee of the City Council on 20 January 2011. Date and number of inclusion of information in the Unified State Register of Legal Entities – 20.01.2011; No of record 1 444 102 0000 007445; Identification code 37503074.

According to the Unified State Register of Legal Entities and Individual Entrepreneurs, the only Participant of the Company is CONSTANT HOLDINGS GmbH; address of the founder: 1130, Hermesstrasse 1C/4/2, Vienna, registration number FN402236z, AUSTRIA.

Ultimate beneficiary owners:

- KIEFER STEFAN MICHAEL, France, 14ak47500, UAE, Dubai;
- KUTELAS GEORG, Austria, P7138792, Turkey, Istanbul;
- HUNT JASON LEE, Great Britain, UAE, Dubai;
- INCHE SU YASHAR, U15727701, Turkey, Austria, Vienna.

The principal activities of the Company are wholesale trade of agricultural machinery and equipment and spare parts thereto, repair and maintenance of agricultural machinery and equipment, leasing out of the agricultural machinery and equipment. The Company is an official dealer of John Deere, JCB, Monosem on sale and maintenance of the agricultural machinery John Deere, JCB, Monosem. As of October 2020, the company ceased to be a dealer of Vaderstad Company. The main reason for the termination of cooperation with the manufacturer Vaderstad was the introduction of a new product line to the market of Ukraine from John Deere - John Deere DB series precision seeder, which is a direct competitor of the main product from Vaderstad (Tempo series precision seeder). Because of the manufacturer John Deere's requirement not to have machines in the portfolio that directly compete with the John Deere line of equipment, the cooperation with the Vaderstad brand had to be terminated.

The Company has service centers and spare parts warehouses in Velyka Severinka village of Kirovograd region, Mishkovo-Pogorilovo village of the Vitovsky district Mykolayiv region, Avangard urban village of Ovidiopol district Odessa region, Lukashivka village of Pervomaisky district Nikolaev region, Podilsk town of Odessa region, Sarata urban village of Saratsky district Odesa region, Safiani village of Izmailskiy district Odessa region, Alexandria town, Kirovograd region and a representative office in Kyiv. Service centers were built in accordance with John Deere, JCB, Monosem's standards and provide customers with a full range of services: consultation in selection and operation of machinery, sale of machinery on favorable terms, service support, original oils and spare parts supply.

As at 31 December 2020, the Company had 160 employees (as at 31 December 2019 – 173 employees).

The Company's legal address: 425 office, 7 Elvorti Str., Kropyvnytskyi, Ukraine, 25002.

2. OPERATING ENVIRONMENT, RISKS AND ECONOMIC CONDITIONS IN UKRAINE

The Company operates in Ukraine. In 2020, the country's political and economic situation was largely determined by factors that emerged in 2014-2015 and were characterized by instability, which led to deteriorating public finances, financial market volatility, illiquidity of capital markets, rising inflation and devaluation of the national currency against major foreign currencies.

During 2020, Ukraine's economy has been affected by the global pandemic, which, in turn, has led to a decline in GDP and a devaluation of the hryvnia. However, there is currently some uncertainty about the situation in the eastern regions of Ukraine, where government forces are conducting the Joint Forces Operation, as well as in the Autonomous Republic of Crimea, which was annexed by the Russian Federation.

In 2020, the value of Ukrainian hryvnia significantly decreased against major world currencies, which mostly negatively affects the development of the Ukrainian economy. However, thanks to monetary policy easing measures to ensure inflation at the target of 5% and support sustainable economic growth and provide liquidity to Ukrainian banks and companies, there are positive expectations regarding increased access to capital sources, as well as lower cost of credit, that may have a positive impact on the economy.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (in thousands of UAH)

In the difficult conditions of the pandemic and significant quarantine, the Government of Ukraine continues to implement a comprehensive program of structural reforms aimed at eliminating existing imbalances in the economy, public finances and governance, fighting corruption, reforming the judiciary with the ultimate goal of providing conditions for the recovery of the country's economy. Further support from the IMF and other international donors depends on continued momentum of the aforesaid structural reforms. A key risk to macrofinancial stability now is the strengthening of quarantine restrictions both in Ukraine and the world, to prevent the spread of the COVID-19 pandemic.

While preparing these financial statements, the known results of the impact of these factors on the Company's financial condition and operating results in the reporting period were taken into account.

Management cannot anticipate all changes that may have an impact on the economy as a whole, nor what effects they may have on the Company's future financial condition. Management believes that it is taking all necessary measures to maintain the stable operation and development of the Company. These financial statements do not include any adjustments that may result from such uncertainty. Such adjustments will be notified if they become known and estimable.

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

Statement of compliance

Financial statements of the Company were prepared in accordance with International Financial Reporting Standards (IFRS).

Basis of preparation of the financial statements

These financial statements were prepared under the historical cost convention.

The preparation of financial statements requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and the amounts of income and expenses recognized in the financial statements for the reporting period. Due to the uncertainty inherent in such estimates, actual results reported in future periods may differ from those estimates. The most critical assumptions and estimates used while preparing these financial statements are disclosed in Note 4.

Functional and presentation currency

The functional currency of the Company is the national currency of Ukraine, the hryvnia (UAH). Transactions in other currencies are treated as foreign currency transactions. The exchange rates of major currencies are as follows:

		31.12.2020	31.12.2019
USD	UAH/USD	28,2746	23,6862
EUR	UAH/EUR	34,7396	26,4220
GBP	UAH/GBP	38,4393	31,0206

The presentation currency is the Ukrainian hryvnia, which is rounded to the nearest thousand, unless otherwise stated.

Going concern assumptions of the Company

These financial statements were prepared on a going concern basis, which provides for the sale of assets and the settlement of liabilities in the course of current operations. As of the date of approval of the financial statement, a state of emergency was introduced throughout Ukraine caused by the coronavirus epidemic SARS-CoV-2 (COVID-19), which in early 2020 turned into a pandemic and covered all countries of the world.

The Company's management believes that the Company will be able to continue as a going concern and that the Company's financial statements do not need any adjustments to be made due to the restrictions imposed by the current circumstances on the Company's divisions and the Company counterparties' inability to meet their obligations in full and on time. The Company's management has taken measures to prevent a significant impact of these events on the Company divisions' operations; however, it cannot reliably assess the impact of the current situation on operations of both separate divisions and the Company as a whole. These financial statements do not contain any adjustments that may occur due to such uncertainty. Such adjustments will be notified if they become known and estimable.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (in thousands of UAH)

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

Preparation of financial statements requires from management to make certain judgments, estimates, and assumptions affecting the amounts of reported revenue, expenses, assets and liabilities, and the disclosures of contingent liabilities. However, uncertainty about these assumptions and estimates may result in future significant adjustments to the carrying amount of the asset or liability to which such assumptions and estimates relate.

The judgments that have the most significant effect on the amounts recognized in the financial statements and the measurement of which may result in adjustments to the carrying amount of assets and liabilities in the next financial year are as follows:

- **Useful life of property, plant and equipment.** Depreciation or amortization of property, plant and equipment is accrued over their useful lives. The useful lives are based on management's estimates of the period over which the asset will be profitable. These terms are periodically reviewed for further compliance.
- **Inventories.** The Company regularly reviews the net realizable value and demand for its inventories to ensure that the reported inventories are measured at the lower of the cost or net realizable value. Factors that may affect projected demand and sales price are the calculation of time and success of future technological innovations, competitors' actions, suppliers' prices and economic trends.
- **Assessment of future credit losses.** The Company charges provisions for impairment of financial assets based on the probability of default and expected loss ratios. The Company uses professional judgment in making these assumptions and selecting source data to calculate impairment based on the Company's past experience, current market conditions and future estimates at the end of each reporting period.
- **Taxes and other mandatory payments to the budget.** There is uncertainty about the interpretation of complex tax legislation, changes in tax legislation, and the amounts and timing of future taxable income. The Company does not charge provisions for possible consequences of inspections conducted by the tax authorities.

5. BASIC ACCOUNTING POLICIES

New and revised standards and interpretations

In general, the accounting policies correspond to those applied in the previous reporting year. Some new standards and interpretations became effective from 01 January 2020 or after that date. The information on new and revised standards and interpretations that the Company first applied from 01 January 2020 is as follows:

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors regarding the definition of materiality

The amendments clarify the definition of materiality by making it more consistent and compliant with all standards. In the new definition, information is considered essential if its omission, incorrect reflection or concealment by other information in the reporting can, according to reasonable expectations, affect the decisions of the main users of general-purpose financial statements, who take them on the basis of this financial statements.

The amendment did not impact on the Company's financial statements.

Amendments to the Conceptual Framework for Financial Reporting

The revised Conceptual Framework for Financial Reporting includes a new chapter on measurement, guidance on reporting financial performance, improved definitions and guidance (particularly the definition of a liability), and clarifications in important areas, such as the roles of stewardship, prudence, and measurement uncertainty in the preparation of financial statements. The amendments to the conceptual framework for financial reporting did not affect the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (in thousands of UAH)

Amendments to IFRS 16 *Leases – Covid-19-Related Rent Concessions*

On 28 May 2020, the IASB issued an amendment to IFRS *Leases – Covid-19-Related Rent Concessions*. This amendment exempts lessees from applying the requirements of IFRS 16 to account for lease modifications when rent concessions occurring as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may decide not to analyze whether rent concessions, granted by a lessor due to Covid-19 pandemic, are lease modifications. A lessee making that decision, must consider any lease modification due to rent concessions occurring as a direct consequence of the Covid-19 pandemic, similar to how that modification would be accounted for under IFRS 16 if it were not a lease modification. This amendment is effective for reporting periods beginning on or after 01 June 2020; early application is permitted. This amendment did not have any impact on the Company's financial statements.

This amendment did not have any impact on the Company's financial statements.

Application of other IFRSs

The following amendments to IFRSs had no impact on the Company's financial statements:

Amendments to IFRS 3 *Business Combinations*

Amendments to IFRS 7 *Financial Instruments: Disclosures*, IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement – Interest Rate Benchmark Reform*

This amendment did not have any impact on the Company's financial statements.

Foreign currency transactions

The functional currency of the Company is the national currency of Ukraine, the hryvnia. Transactions in other currencies are treated as foreign currency transactions and are initially recognized in functional currency at the rate effective on the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the exchange rate effective at the reporting date. The exchange rate differences that arise from the calculation of monetary items or translation of monetary items at rates that differ from the ones at which they were translated at initial recognition during the reporting period or in previous financial statements are to be recognized in the statement of profit and loss in the period in which they arise.

Non-monetary items in foreign currency, recorded at historical cost, are to be translated at the exchange rate at the date of transaction. Non-monetary items denominated in foreign currencies at fair value are to be translated at the exchange rate effective at the date of fair value measurement.

Short-term / long-term classification

An asset (liability) is classified as current (short-term) if its sale (repayment) is planned, or if its sale or use is planned within 12 months after the reporting date. Other assets (liabilities) are classified as long-term. Financial instruments are classified based on the expected useful lives. Deferred tax assets (liabilities) are classified as long-term.

Property, plant and equipment

Property, plant and equipment are initially recognized at cost. The cost is the amount of cash or cash equivalents paid, or the fair value of the other consideration transferred at the time of acquisition or construction of an asset. The structure of the cost of an item of property, plant and equipment is determined by item acquisition method. The cost of internally manufactured assets includes the cost of materials, direct remuneration costs for work and a respective part of production overheads.

After initial recognition, items of property, plant and equipment are accounted at cost, less accumulated depreciation and impairment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (in thousands of UAH)

Depreciation of assets commences when assets are ready for the intended use and is charged on a straight-line basis over the estimated useful lives of corresponding assets.

	Useful lives (years)
Land plots	-
Buildings and structures	10 - 20
Machinery and equipment	2 - 5
Incl. agricultural equipment	5
Transport means	5
Instruments, furniture, fixtures	4
Other property, plant and equipment	12

When basic technical inspection is performed, repair costs increase the cost of an item of property, plant and equipment, if the recognition criteria are satisfied:

- It is probable that the Company will receive future economic benefits associated with the item
- The cost of the item can be measured reliably.

Expenditure made to maintain the item in good working order and to receive initially determined future economic benefits from its use are included in expenses.

An item of PPE is derecognized at disposal or in case no economic benefits are expected from its use. The gain or loss on disposal of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income for the period in which the asset is derecognized.

The asset's depreciated value, useful lives and methods of depreciation of assets are reviewed and adjusted, if appropriate, at each financial year end.

Capital investments include the cost of construction and reconstruction of PPE. Capital investments at the reporting date are stated at cost less any accumulated impairment losses. Capital investments are not depreciated until the asset is ready for use.

Intangible assets

The Company's intangible assets are software. Purchased software licenses are capitalized based on the costs incurred to purchase and implement the software. Capitalized software is amortized on a straight-line basis over its estimated useful lives comprising 2 to 10 years.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is any indicator that an asset may be impaired. If any such indicator exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value, less costs to sell, and its value in use. A recoverable amount is determined for an individual asset, unless the assets that do not generate cash inflows and are largely independent from proceeds generated by other assets or group of assets. Cash generating unit (CGU) is the smallest identifiable group of assets that provides for cash inflows which are largely independent of the cash inflows from other assets (or groups of assets). Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. Impairment losses are recognized in the statement of comprehensive income for the period in those expense categories consistent with the function of the impaired asset.

The Company's assessment is made at each reporting date whether there is any indicator that previously recognized impairment losses may no longer exist or may have decreased. If such indicator exists, the recoverable amount is calculated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income for the period. After such a reversal, future depreciation charges

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (in thousands of UAH)

are adjusted to amortize the asset's revised carrying amount, less any depreciated value, on regular basis over its remaining useful life. The Company identified that it is one CGU, operating in sale of agricultural equipment and spare parts thereto.

Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identifiable asset for a period of time in exchange for consideration.

For a contract that is, or contains, a lease, each lease component within the contract is accounted for as a lease separately from non-lease components of the contract, unless the practical expedient described below is used.

As a practical expedient, the Company decided, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Company does not apply IFRS requirements to:

- a) short-term leases (up to 12 months); and
- b) leases for which the underlying asset is of low value (the cost of a new asset is less than UAH 150 thousand).

The Company recognizes lease payments associated with such leases on the straight-line basis over the lease term.

Initial measurement of the right-of-use asset

At the commencement date, the Company measures the right-of-use asset at cost.

The cost of the right-of-use asset shall comprise:

- a) the amount of the initial measurement of the lease liability;
- b) any lease payments made at or before the commencement date, less any lease incentives received;
- c) any initial direct costs incurred by the lessee; and
- d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the lease conditions.

Initial measurement of the lease liability

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined.

If that rate cannot be readily determined, the lessee uses the Company's incremental borrowing rate.

The incremental borrowing rate is the interest rate that the Company would have paid to borrow for a similar term and with similar provisioning of funds necessary to obtain an asset at a cost similar to the right-of-use asset in similar economic conditions.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- c) amounts expected to be payable by the lessee under residual value guarantees;
- d) the price of the purchase option, if the lessee has reasonable assurance to use it; and
- e) payments at the expense of fines for the lease termination, if the lease term reflects the lessor's feasibility to terminate the lease.

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For the year ended 31 December 2020 (in thousands of UAH)

Variable lease payments that depend on an index or a rate include, for example, payments linked to a consumer price index, payments linked to a benchmark interest rate (such as LIBOR) or payments that vary to reflect changes in market rental rates.

Subsequent measurement of the right-of-use asset

After the commencement date, a lessee measures the right-of-use asset applying a cost model:

- a) less any accumulated depreciation and any accumulated impairment losses; and
- b) adjusted for any remeasurement of the lease liability.

Depreciation is charged applying the requirements in IAS 16 *Property, Plant and Equipment*, taking into account the following.

If the lease transfers ownership of the underlying asset to the lessee at the end of the lease or if the cost of the right-of-use assets shows that the lessee will be able to purchase thereof, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the lessee shall depreciate the right-of-use asset from the lease commencement date to the earlier of the end of the right-of-use asset's useful life or the end of the lease.

Subsequent measurement of the lease liability

After the commencement date, a lessee measures the lease liability by:

- a) increasing the carrying amount to reflect interest on the lease liability;
- b) reducing the carrying amount to reflect the lease payments made; and
- c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

After the commencement date, a lessee recognizes in profit or loss, unless the costs are included in the carrying amount of another asset applying other applicable standards, both:

- a) interest on the lease liability; and
- b) variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that triggers those payments occurs.

Reassessment of the lease liability

After the commencement date, a lessee recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, a lessee shall recognize any remaining amount of the remeasurement in profit or loss.

A lessee remeasures the lease liability by discounting the revised lease payments using a revised discount rate, if either:

- a) there is a change in the lease term. A lessee determines the revised lease payments on the basis of the revised lease term; or
- b) there is a change in the assessment of an option to purchase the underlying asset. A lessee determines the revised lease payments to reflect the change in amounts payable under the purchase option.

Inventories

Inventories are measured at the lowest of the initial cost (cost) or net realizable value.

Cost of inventories includes acquisition costs, processing costs and other costs, incurred during delivery of supplies to their current location and when bringing them to their present state.

The cost of acquiring inventories consists of the purchase price, import duty and other taxes (except for those subsequently reimbursed by the tax authorities), as well as the costs of transportation, loading and unloading and other costs directly related to the purchase of the finished goods, materials and services. Trade discounts, other discounts, and other similar items are deducted in determining the cost of purchasing.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (in thousands of UAH)

Inventories are assessed at disposal using methods:

- identified cost – for agricultural equipment;
- FIFO – for all other inventories.

The net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the costs necessary for the implementation of the trade agreement.

Financial instruments

Initial recognition and subsequent measurement of financial instruments

Financial instruments at fair value through profit or loss are initially recognized at fair value, net of transaction costs. The costs of acquiring such financial instruments are recorded on expense accounts at the date they are incurred.

At initial recognition, the Company assesses trade receivables at transaction price, which is the consideration to which the Company expects to be entitled in exchange for the transfer of promised goods or services to the buyer, excluding amounts received on behalf of third parties, if the trade receivable does not contain a significant financing component (when the contract payment dates give the buyer or seller significant benefits from the sale of products).

Classification of financial assets

During the initial recognition of financial instruments, the Company classifies them and determines the model for further valuation.

The Company classifies debt financial assets based on the business model it uses to manage these assets, and the contract cash flow characteristics triggering the financial instrument.

Financial assets are classified according to the following categories:

- financial assets at amortized cost;
- financial assets at fair value through other comprehensive income;
- financial assets at fair value through profit or loss.

A financial asset is measured at amortized cost only if it meets both of the following conditions and is not classified as at fair value through profit or loss:

- it is held within the framework of a business model aimed to hold assets for contractual cash flows, and
- its contractual terms provide for the occurrence of cash flows within the set time limits, which represent the payment of exclusively principal and interest (SPPI criterion) for the unpaid part of the principal amount.

Classification of financial liabilities

Financial liabilities are measured at amortized cost, except for:

- 1) financial liabilities measured at fair value through profit/loss;
- 2) financial liabilities resulting when transfer of a financial asset is not in compliance with derecognition criteria or when the continuing involvement principle is applied;
- 3) financial guarantee contracts, aval, security;
- 4) loan liabilities at a rate lower than a market rate;

Impairment

The impairment model is applied to financial instruments that are not measured at fair value through profit or loss:

- Financial assets that are debt instruments;
- Accounts receivable on leases;
- Loan commitments and financial guarantees.

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An impairment loss is not recognized for investments in equity instruments.

The allowances for expected credit loss are determined in an amount equal to either expected credit losses for 12 months or expected credit losses for the lifetime of the instrument.

The Company applies a simplified approach and recognizes allowances for expected credit losses on receivables, contractual assets and receivables under leases in an amount equal to the expected credit losses over the lifetime of the instrument, regardless of the existence of a substantial financing component.

Estimation of expected credit losses reflects the difference between contractual cash flows in accordance with the contract terms and all cash flows the Company expects to receive. The loss is then discounted as it approaches the original effective interest rate of the asset.

Write-offs

The gross book value of a financial instrument is written off against the provision charged after it is recognized as bad, the existing allowance for expected credit losses, and the simultaneous fulfillment of other conditions determined by the requirements of the current legislation of Ukraine and the Company's internal regulations.

Derecognition and contract modification

Financial assets are derecognized whenever:

- a) the rights to cash flows, determined by the terms of the financial asset contract, expire;
- b) the transfer of a financial asset meets the derecognition criteria;
- c) write off the financial asset against the provision.

The difference between the carrying amount of a financial asset measured at the derecognition date and the amount of consideration received (including the value of the new asset received less the liability amount) is recognized as income or expense from derecognition.

The financial liability or part thereof is derecognized if such liability is settled, canceled or expired.

Interest income

The Company recognizes interest income/expense for financial instruments at the effective interest rate during the period from their initial recognition to the date of derecognition (sale, repayment), reclassification.

Interest income on a financial asset at the third level of credit risk is adjusted in correspondence with the accounts intended to account for estimated allowances for expected credit losses.

Fair value

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. Fair value measurement assumes that the sale of an assets or transfer of a liability is made:

- whether on a principal market for such assets or liabilities;
- or when there is no principal market, at the most advantageous market for such assets and liabilities.

The Company should have an access to the principal or the most advantageous market. Fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interests.

A fair value measurement of a financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which data are available, sufficient for measuring fair value.

All assets and liabilities whose fair value is estimated or disclosed in the consolidated financial statements are classified as described below under the fair value hierarchy based on the lowest level inputs that are significant to the fair value measurement in general:

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For the year ended 31 December 2020 (in thousands of UAH)

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques, in which significant inputs for fair value measurement are inputs relating to lower level hierarchy observable for the asset or liability, either directly or indirectly;
- Level 3 – Valuation techniques, in which significant inputs for fair value measurement are inputs relating to lower level hierarchy unobservable for the asset or liability.

The estimated fair value of financial assets and liabilities is determined by reference to market information using appropriate methods of evaluation. However, a qualified opinion would be necessary to interpret marketing information for the purpose of fair value measurement. Application of different marketing assumptions and/or valuation techniques might affect the fair value significantly.

The estimated fair value of financial assets and financial liabilities is determined using the discounted cash flows model and other appropriate valuation methods at the year-end; it does not indicate the fair value of such instruments at the reporting date of these financial statements. Such estimations do not report any premiums or discounts that might result from the proposal to sell simultaneously the whole package of certain financial instruments of the Company.

The fair value measurement is based on assumptions as to estimated future cash flows, current economic situation, risks inherent in various financial instruments and other factors.

Cash and cash equivalents

Cash includes cash in bank accounts and on hand, as well as deposits on demand. Cash equivalents include short-term highly liquid financial investments that can be easily converted into cash, with a maturity of no more than three months from the date of acquisition, the value of which is subject to minor fluctuations.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event or it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provision is reviewed at each reporting date and adjusted to show the current assessment. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Employee benefit obligations

The Company contributes to the Pension Fund, Social Insurance Fund and Unemployment Insurance Fund in the amounts established based on the legislation in force during the periods audited calculated on the basis of the gross payroll and other compensations to employees. Such expenses are recorded in the statement of comprehensive income in the period to which accruals of payroll and other compensations to employees relate.

Contingent liabilities

Contingent liabilities are not recognized in the financial statements unless it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of such liabilities can be measured reliably. Information about such liabilities is to be disclosed, except when the possibility of outflow of resources being economic benefits is unlikely.

Income tax**Current tax**

Tax assets and liabilities relating to current tax for current and prior periods are estimated at the expected amount recoverable from payable to the tax authorities. Tax rates and tax laws used to calculate this amount are those rates and laws that are enacted or substantively enacted at the reporting date.

Deferred tax

Deferred income tax is provided, using the balance liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

NOTES TO THE FINANCIAL STATEMENTS

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Deferred tax assets are recognized for all temporary deductible tax differences and unused tax assets and unused tax losses carried forward, if it is probable that future taxable profits will be available against which non-deductible temporary differences and carried forwards tax losses can be utilized, except when:

- a deferred tax asset related to temporary differences arises from the initial recognition of an asset or liability in a business transaction that is not a business combination and which, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- in respect of temporary differences related to investments in subsidiaries and associates, as well as in the share of joint ventures, deferred tax assets are recognized only if there is a probability of reversal of temporary differences in the foreseeable future and taxable profit will be received against which a temporary difference can be applied.

The carrying amount of deferred tax assets is reviewed at each date of the consolidated statement of financial position and is reduced if there is no longer any probability of obtaining sufficient taxable profits to realize part or the entire amount of such deferred tax asset. Unrecognized deferred tax assets are recalculated for each date of the combined statement of financial position and recognized when there is a probability of receiving future taxable profits, which enables to realize the deferred tax asset.

Deferred tax assets and liabilities are determined at the tax rates that are expected to be realized when the asset is realized or when liability is repaid, based on current or announced (and practically accepted), as at the date of the consolidated statement of financial position, of tax rates and provisions of tax legislation. Income tax relating to items that are reflected directly in equity is recognized in equity. Deferred tax assets and liabilities are subject to be included when there is full legal right to charge current tax assets to current tax liabilities and if they relate to the same tax group and tax authority.

When calculating the amount of deferred tax assets and liabilities, the Company has used tax rates that are expected to be effective in the reversal of temporary differences that have led to the occurrence of relevant deferred tax assets and liabilities. To calculate current tax on profit and deferred tax, the profit tax rate was applied at 18%.

Equity instruments

Authorized capital

According to the legislation of Ukraine, a participant in a limited liability company (LLC) may unilaterally withdraw his/her share in the net assets of the company. In this case, the company is obliged to pay to the participant his/her share in the net assets of the company, determined in accordance with Ukrainian legislation. At the time of withdrawal, the participant's share in net assets determined in accordance with Ukrainian law may not correspond to the share determined in accordance with IFRS.

In accordance with the subject matter of the contract and the definition of the financial liability, the net assets of such companies meet the requirements for determining the financial liability. While preparing these financial statements, the management of the Company used an exception to the definition of a financial liability provided for in paragraphs 16A and 16B of IAS 32 *Financial Instruments: Presentation* as it considers that the instrument has all the characteristics and satisfies all the conditions provided for by the said items.

In these financial statements, contributions by participants and equity elements were classified as puttable instruments and presented in the consolidated financial statements as equity instruments, in accordance with the exclusion from the definition of financial liabilities provided for in IAS 32 *Financial Instruments: Presentation*.

Retained earnings

Retained earnings are the profit earned by the Company from the business inception, net of losses, dividends.

Revenue from contracts with customers

The Company's activities are the sale of agricultural equipment, spare parts thereto, provision of services of equipment repair, lease of equipment, and the provision of warranty repair services for sold equipment on behalf and at the expense of the equipment supplier. Revenue from contracts with customers is recognized when the control over the goods is transferred to the customer and is estimated in the amount ensuring the consideration to which the Company expects to be entitled to in exchange for such goods or services.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (in thousands of UAH)

Sale of agricultural equipment and spare parts

Revenue from sales of equipment and spare parts is recognized at a certain point, when control of the asset is transferred to the buyer, which is generally ex-stock delivery.

The Company considers whether there are other obligations that are separate performance obligations for which part of the transaction price must be allocated (such as warranties, loyalty award credits of customers). While determining the price of equipment and spare parts sales transaction, the Company takes into account the effects of a variable consideration, the existence of significant financing components, non-cash considerations and consideration payable to the customer (if any).

(i) Variable consideration

If the consideration promised in a contract includes a variable amount, the Company estimates the amount of consideration to which it is entitled in exchange for transferring the promised goods to a customer. A variable consideration is measured at the time of contracting, and a restriction applies to its measurement until it is highly probable that at the subsequent resolution of uncertainty inherent in the variable consideration there will be no significant reduction of the amount of recognized cumulative revenue. Some goods sales contracts give customers the right to return and the volume rebates, leading to the variable consideration.

(ii) Significant financing component

Generally, the Company obtains short-term advances from its customers. As a practical expedient provided by IFRS 15, the Company needs not adjust the promised amount of consideration for the effects of a significant financing component if the Company expects, at contract inception that the period between the transfer of a promised good or service to a customer and the customer's payment for that good or service will be one year or less.

Contract assets

A contract asset is the right of an entity to receive a consideration in exchange for goods or services transferred to the customer. If the Company transfers products or services to the customer before the customer pays the consideration, or until the time when the consideration becomes payable, the contract asset is recognized in respect of the contingent consideration received.

Trade accounts receivable

Accounts receivable represent the Company's right to consideration, which is unconditional (that is, the moment when such consideration becomes payable is stipulated by then passage of time only).

Contract obligations

A contract obligation is the obligation to transfer to the customer products or services for which the Company has received a consideration (or consideration for which is payable) from the buyer. If the buyer pays the consideration earlier than the Company delivers a product or service to the customer, the contract obligation is recognized at the earlier of payment or the time the payment becomes payable. Contract obligations are recognized as revenue when the Company fulfills its contract obligation.

Provision of services of agricultural equipment repair

Revenue from service contracts is recognized based on the stage of completion of the contract. The stage of completion of the contract is determined separately for each service contracts.

Rental income

Rental income is obtained mainly from the lease of agricultural equipment. Rental income is recognized on a straight-line basis over the relevant lease term. The fee for the use of equipment includes the amounts receivable from entities operating in agriculture.

Provision of warranty repair services for sold equipment on behalf and at the expense of the equipment supplier

The Company determined that it acts as an agent in contracts for the provision of warranty repair services for sold equipment at the expense of the equipment supplier. The standard warranty on the equipment is provided by the supplier of such equipment, and the Company receives a fee for carrying out repair work.

NOTES TO THE FINANCIAL STATEMENTS

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Recognition of cost of sold products (services) and other expenses

Cost of sold goods, works or services that relates to the same transaction is recognized simultaneously with respective revenue.

Interest expenses

Borrowing costs are recognized when incurred, unless the borrowings are used to finance the acquisition or creation of a qualifying asset.

The Company defines interest expenses as follows:

- interest on bank overdrafts, short-term and long-term loans;
- amortization of loan-related discounts or bonuses;
- amortization of transaction costs associated with obtaining loans;
- lease financial costs;
- exchange rate differences that arise on loans in foreign currency, if they are considered interest expenses.

6. NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The Company did not apply the following IFRSs and Interpretations to IFRSs and IASs that were published but are not effective.

Amendments to IAS 1 *Presentation of Financial Statements*

In January 2020, the IFRS Board amended IAS 1 to clarify issues related to the classification of current and non-current liabilities. The amendments shall enter into force for the periods beginning on or after 01 January 2023. The amendments apply retrospectively; early application is permitted. The amendments may affect the classification of liabilities in the Company's statement of financial position.

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

In May 2020, the IASB issued amendments to IAS 37 that clarify which costs an entity should consider when assessing whether a contract is onerous or loss-making. The amendments provide for the application of "costs directly attributable to the contract" approach. Costs, directly attributable to a contract to provide goods or services, include both incremental costs of performing that contract and allocated costs that are directly attributable to performing the contract. General and administrative expenses are not directly related to the contract and, therefore, are excluded unless they are clearly reimbursable by the counterparty to the contract.

These amendments are effective for annual periods beginning on or after 01 January 2022. It is expected that these amendments will have any material impact on the Group's financial statements.

The standards and interpretations listed below are those that are not expected to have an impact on, or be relevant to, the Group's combined financial statements:

IFRS 17 *Insurance Contracts* – are effective for reporting periods beginning on or after 01 January 2023, with comparative information required.

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 IASB deferred the effective date of this amendment indefinitely, but early application is permitted prospectively.

Amendments to IFRS 3 *Business Combinations – Reference to the Conceptual Framework* – are effective for reporting periods beginning on or after 01 January 2022 and applied prospectively.

Amendments to IAS 16 *Property, Plant and Equipment – Proceeds before Intended Use* – are effective for reporting periods beginning on or after 01 January 2022, and must be applied retrospectively to those items of property, plant, and equipment that became available for use on (or after) the start date of the earliest period presented in the financial statements in which the entity first applies the amendments.

Interest Rate Benchmark Reform – Phase 2 – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 are effective for reporting periods beginning on or after 01 January 2021, early adoption is permitted.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (in thousands of UAH)

Annual IFRS Improvements (2018-2020 cycle):

Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* – a subsidiary that applies International Financial Reporting Standards for the first time – the amendment is effective for annual reporting periods beginning on or after 01 January 2022, early adoption is permitted.

Amendment to IFRS 9 *Financial Instruments* – fees included in the “10 per cent test” for derecognition of financial liabilities – the amendment is effective for annual reporting periods beginning on or after 01 January 2022, early adoption is permitted.

Amendment to IAS 41 *Agriculture* – taxation in fair value measurements – the amendment is applied prospectively in fair value measurements as of the beginning of (or after) the first annual reporting period beginning on 01 January 2022, early adoption is permitted.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (in thousands of UAH)

7. INCOME

The Company's income can be structured as follows:

	Year ended 31.12.2020	Year ended 31.12.2019
7.1 Sales revenue		
Sale of machinery	641 811	982 601
Sale of spare parts	280 542	160 514
Services provided	40 047	35 190
Sale of used equipment	14 574	13 509
Sale of agricultural products	-	-
Fee for the warranty repair services	15 965	3 220
Total:	992 939	1 195 034

	Revenue from sales to residents	Revenue from sales to non-residents
7.2 Revenue from sales by counterparty for 2020		
Sale of machinery	634 988	6 823
Sale of spare parts	280 036	506
Sale of agricultural products	-	-
Sale of used equipment	14 574	-
Services provided	39 727	320
Fee for the warranty repair services	-	15 965
Total:	969 325	23 615

	Revenue from sales to residents	Revenue from sales to non-residents
7.2 Revenue from sales by counterparty for 2019		
Sale of machinery	962 882	19 719
Sale of spare parts	160 514	-
Sale of agricultural products	-	-
Sale of used equipment	13 509	-
Services provided	35 190	-
Fee for the warranty repair services	-	3 220
Total:	1 172 095	22 939

	Year ended 31.12.2020	Year ended 31.12.2019
7.4 Other income		
Exchange gain	-	55 638
Disposal of non-current assets	32 066	4 699
Insurance payments received	1 072	1 155
Assets received for free	365	39
Other income	54 326	1 991
Total:	87 829	63 522

	Year ended 31.12.2020	Year ended 31.12.2019
7.5 Financial income		
Interest received on bank accounts and deposits	768	1 589
Total:	768	1 589

8. EXPENSES

The Company's expenses can be structured as follows:

	Year ended 31.12.2020	Year ended 31.12.2019
8.1 Cost of sales		
Goods sold	(805 832)	(1 032 001)
Services provided	(11 214)	(87)
Total:	(817 045)	(1 032 088)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (in thousands of UAH)

	Year ended 31.12.2020	Year ended 31.12.2019
8.2 Administrative expenses		
Wages and social insurance	(14 446)	(18 282)
Legal and audit services	(780)	(3 278)
Depreciation and amortization	(3 350)	(2 897)
Corporate expenses	(3 781)	(2 557)
Consulting, information and accounting services	(1 024)	(954)
Fuel	(462)	(820)
Travel expenses	(266)	(684)
Repairs	(116)	(528)
Bank services	(1 965)	(311)
Communication	(276)	(273)
Lease	-	(38)
Other expenses	(1 315)	(272)
Total:	(27 781)	(30 894)
	Year ended 31.12.2020	Year ended 31.12.2019
8.3 Distribution costs		
Wages and social insurance	(44 862)	(49 426)
Depreciation and amortization	(30 460)	(18 012)
Advertising services	(2 040)	(6 820)
Fuel	(4 339)	(6 379)
Transportation services	(5)	(6 020)
Repairs	(4 702)	(4 425)
Material costs	(3 979)	(3 511)
Business trips	(677)	(2 473)
Maintenance of leased facilities	(2 395)	(2 076)
Utilities	(975)	(1 046)
Insurance	(755)	(785)
Lease	(14)	(284)
Other services	(1 825)	(1 988)
Total	(97 028)	(103 245)
	Year ended 31.12.2020	Year ended 31.12.2019
8.4 Other expenses		
Non-reimbursable VAT amounts	(981)	(2 176)
Change of the cost of inventories	1 304	(1 715)
Revaluation of the cost of assets	-	-
Employees insurance	(992)	(1 023)
Allowance for expected credit losses	421	-
Exchange loss	(67 076)	-
Damages and shortages	(838)	(1)
Provision for audit	(622)	-
Other expenses	(3 197)	(915)
Total:	(71 981)	(5 830)
	Year ended 31.12.2020	Year ended 31.12.2019
8.5 Financial expenses		
Interest expenses on loan agreements	(7 904)	(7 968)
Interest expenses payable on lease	(6 772)	(3 276)
Receipt of bank guarantee	(1 773)	(1 035)
Total:	(16 449)	(12 279)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (in thousands of UAH)

9. EMPLOYEE BENEFIT COSTS

	Year ended 31.12.2020	Year ended 31.12.2019
9.1 Payroll expenses include:		
Wages	43 908	50 320
Social insurance	6 242	9 219
Premium reserve	4 947	4 226
Provision for unused vacation	4 211	3 943
Total:	59 308	67 708

	Year ended 31.12.2020	Year ended 31.12.2019
9.2 Remuneration costs were included in:		
Wages and social insurance of sales staff	44 862	49 426
Wages and social insurance of administrative personnel	14 446	18 282
Total:	59 308	67 708

10. DEPRECIATION AND AMORTIZATION

	Year ended 31.12.2020	Year ended 31.12.2019
10.1. Depreciation and amortization costs include:		
Depreciation of property, plant and equipment	31 359	19 020
Depreciation of right-of-use assets	2 311	1 858
Amortization of intangible assets	166	118
Total:	33 836	20 996

	Year ended 31.12.2020	Year ended 31.12.2019
10.2 Depreciation and amortization were included in:		
Sales expenses	30 161	18 012
Administrative expenses	3 646	2 897
Cost of sales	29	87
Total:	33 836	20 996

11. INCOME TAX EXPENSES

Income tax expenses are stated as follows:

	Year ended 31.12.2020	Year ended 31.12.2019
11.1 Components of income tax benefit (expenses)		
Current income tax	(8 390)	(13 621)
Deferred income tax	(83)	(445)
Total:	(8 307)	(14 066)

11.2 Components of deferred tax for the year ended 31.12.20	31.12.2020	Recognized in profit (loss)	31.12.2019
Non-current assets	126	123	3
Trade accounts receivable	217	(198)	415
Lease liabilities	-	158	(158)
Total:	343	83	260

11.2 Components of deferred tax for the year ended 31.12.19	31.12.2019	Recognized in profit (loss)	31.12.2018
Non-current assets	3	11	(8)
Trade accounts receivable	415	293	122
Provision for unused vacation	-	(440)	440
Lease liabilities	(158)	(309)	151
Total:	260	(445)	705

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (in thousands of UAH)

11.4 Reconciliation of income tax expenses	2020	2019
Profit (loss) before tax	51 252	75 809
At the statutory income tax rate of 18%	(9 225)	(13 646)
Non-deductible expenses	918	(420)
Total:	(8 307)	(14 066)

12. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Land	Buildings and struc- tures	Machinery and equip- ment	Vehicles	Instruments, furniture, fix- tures	Other	Total
Historical cost as at 31 Decem- ber 2018	3	2 011	52 204	25 428	36 588	6 427	7 800	130 461
Accumulated depreciation			(908)	(3 437)	(19 117)	(3 012)	(5 908)	(32 382)
Net carrying amount	3	2 011	51 296	21 991	17 471	3 415	1 892	98 079
Additions	99 321	-	-	-	-	-	-	99 321
Transfer	(98 425)	22 108	-	60 757	12 324	1 442	1 794	-
Disposal	-	-	-	(49 493)	(500)	(3)	(5 297)	(55 293)
Reclassification	-	-	-	9 965	(9 965)	-	-	-
Disposal of depreciation	-	-	-	6 379	561	2	5 163	12 105
Depreciation charged	-	-	(2 692)	(7 956)	(6 831)	(1 179)	(362)	(19 020)
Historical cost as at 31 Decem- ber 2019	899	24 119	52 204	46 657	38 447	7 866	4 297	174 489
Accumulated depreciation	-	-	(3 600)	(5 014)	(25 387)	(4 189)	(1 107)	(39 297)
Net carrying amount	899	24 119	48 604	41 643	13 060	3 677	3 190	135 192
Additions	173 014	-	-	-	-	-	-	173 014
Transfer	(173 902)	439	1 562	162 138	8 850	565	349	-
Disposal	-	-	-	(146 792)	(4 844)	(107)	(27)	(151 770)
Reclassification	-	-	-	-	-	-	-	-
Disposal of depreciation	-	-	-	14 394	3 871	99	17	18 382
Depreciation charged	-	-	(2 753)	(22 193)	(4 736)	(1 434)	(243)	(31 359)
Historical cost as at 31 Decem- ber 2020	11	24 558	53 766	62 002	42 453	8 324	4 619	195 722
Accumulated depreciation	-	-	(6 353)	(12 812)	(26 252)	(5 523)	(1 333)	(52 274)
Net carrying amount	11	24 558	47 413	49 190	16 201	2 801	3 286	143 459

The cost of mortgaged property, plant and equipment as of 31.12.2020 is UAH 69 415 thousand, of which the value of land plots is UAH 23 306 thousand, the value of buildings and structures is UAH 46 109 thousand (as of 31 December 31.12.2019, the value of mortgaged property, plant and equipment is UAH 69 299 thousand, of which the value of land plots is UAH 23 190 thousand, the cost of buildings and structures is UAH 46 109 thousand).

Mortgage agreements were concluded with JSC OTP Bank, JSC Credi Agricole Bank to ensure the fulfillment of the Company's debt obligations arising from the provision of bank services, namely: bank loan (loan, credit line, overdraft, guarantee), letter of credit, aval.

13. RIGHT-OF-USE ASSETS

Right-of-use assets for the year 2020 are stated as follows:

	Buildings
Historical cost	
As at 31.12.2019	7 397
Additions	145
Disposals	-
As at 31.12.2020	7 542
Accumulated depreciation	
As at 31.12.2019	(1 858)
Accumulated depreciation	(2 311)
As at 31.12.2020	(4 169)
Net value as at 31.12.2019	5 539
Net value as at 31.12.2020	3 373

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (in thousands of UAH)

Right-of-use asset and lease liability**(I) Amounts recognized in the Statement of financial position**

Information about amounts related to leases and reported in the Statement of financial position is disclosed below.

	31.12.2020	31.12.2019
Right-of-use asset		
Buildings	3 373	5 539
Lease liability		
Long-term lease liability	1 337	1 713
Short-term lease liability	2 537	3 177
	3 874	4 890

(II) Amounts recognized in the Statement of comprehensive income

The following amounts related to leases are reported in the Statement of comprehensive income:

	2020	2019
Depreciation charges on right-of-use assets		
Buildings	2 311	1 858
Interest expenses on lease liabilities	845	1 005
TOTAL	3 156	2 863

Total volume of payments for 2020 is UAH 2 932 thousand and for 2019 is UAH 3 809 thousand and is classified as financial activity in the Statement of cash flows.

(III) Lease operations of the Company and their accounting

Lease payments related to short-term leases are recognized as expenses incurred. Lease terms are agreed on a case-by-case basis and contain various terms and conditions.

Leases do not impose any restrictive conditions, but the leased assets may not be used as collateral for borrowing purposes. A lease is recognized as a right-of-use asset and a related liability on the date on which the leased asset is available for use by the Company. Each lease payment is apportioned between a liability and financial costs. Financial costs are recognized in profit or loss over the lease term.

The Company measures right-of-use assets using a cost model. The right-of-use assets are depreciated over the shorter of the useful life or the lease term on a straight-line basis. Assets and liabilities arising from the lease are initially measured at cost.

The Company measures the lease liability by reducing the carrying amount to reflect the lease payments made.

Lease payments are discounted using the incremental borrowing rate. Right-of-use assets are measured at cost, which includes the following:

- amount of initial assessment of lease liabilities;
- any lease payments made on or before the commencement date;
- any initial direct costs.

The Company decided not to recognize the right to use lease assets and liabilities for leases with a lease term of 12 months or less as well as leases of low-value assets. The Company has concluded lease agreements of equipment for a period of 12 months with variable rent, which is determined depending on the number of the equipment hours worked per month. Below are data on the cost of leases that have a term of up to 12 months.

	2020	2019
Expenses of leases with the term of up to 12 months	75	145
TOTAL	75	145

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (in thousands of UAH)

Payments related to short-term leases of other assets are recognized in profit or loss on a straight-line basis as an expense.

The Company recognizes the following two components in profit or loss:

- a) interest on the lease liability; and
- b) variable lease payments that are not included in the measurement of the lease liability in the period in which the event or condition that gave rise to such payments occurred.

14. INTANGIBLE ASSETS

Intangible assets are stated as follows:

	Software
Historical cost	
As at 01.01.2019	547
Additions	1 077
As at 31.12.2019	1 624
Additions	211
As at 31.12.2020	1 835
Accumulated depreciation	
As at 01.01.2019	(213)
Accrued depreciation	(118)
As at 31.12.2019	(331)
Accrued depreciation	(166)
As at 31.12.2020	(497)
Net carrying amount	
As at 01.01.2019	334
As at 31.12.2019	1 293
As at 31.12.2020	1 338

The Company recognizes purchased intangible assets at cost. Intangible assets are further assessed in accordance with IAS 38 *Intangible Assets*. The assessment comprises the cost of intangible assets less amortization or impairment losses of intangible asset.

There are no contractual obligations on the acquisition or creation of the Company's intangible assets. There are no any intellectual property items not recognized as intangible assets.

15. INVENTORIES

	31.12.2020	31.12.2019
Spare parts and accessories	155 916	184 042
Goods	96 620	245 577
Materials	1 358	1 726
Other	94	385
Total:	253 988	431 730

As of 31 December 2020, in accordance with the pledge agreement No. PL 19-066/28-2 dated 04 February 2019 concluded with JSC OTP Bank, the goods in circulation are pledged, namely: agricultural machinery and spare parts for agricultural machinery at the carrying amount of UAH 57 500 thousand (collateral value is equal to the book value – UAH 57 500 thousand). Cost of goods pledged as collateral to JSC OTP Bank as at 31.12.2019 is UAH 13 125 thousand.

16. TRADE AND OTHER ACCOUNTS RECEIVABLE

16.1 Trade accounts receivable	31.12.2020	31.12.2019
Trade receivables	55 194	24 954
Expected credit losses	(388)	(260)
Total:	54 806	24 694

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (in thousands of UAH)

16.2 Accounts receivable by periods, as at 31.12.2020	Not out- standing	Less than 30 days	31-60 days	61-90 days	91-120 days	121-365 days	Over 365 days	Total:
Interest of expected credit losses	0,00%	0,07%	0,23%	0,52%	0,86%	1,14%	100,00%	
Trade accounts receivable	25 952	4 500	10 353	8 935	3 064	2 127	263	55 194
Expected credit losses	1	3	24	47	26	24	263	388
Total:	25 951	4 497	10 329	8 888	3 038	2 103	0	54 806

16.2 Accounts receivable by periods, as at 31.12.2019	Not out- standing	Less than 30 days	31-60 days	61-90 days	91-120 days	121-365 days	Over 365 days	Total:
Interest of expected credit losses	0,00%	0,08%	0,31%	0,71%	1,30%	1,85%	100,00%	
Trade accounts receivable	14 343	4 166	2 922	1 029	352	1 942	200	24 954
Expected credit losses	1	3	9	7	5	36	200	260
Total:	14 342	4 163	2 913	1 022	347	1 906	0	24 694

16.4 Expected credit losses	31.12.2020	31.12.2019
Opening balance	(260)	(573)
Reimbursement of previously written off assets	-	313
Accrual of allowance	(128)	-
Closing balance	(388)	(260)

16.5 Other accounts receivable	31.12.2020	31.12.2019
Prepayments	11 342	3 429
Other current accounts receivable	595	1 536
Total:	11 937	4 965

16.6 Other current accounts receivable	31.12.2020	31.12.2019
VAT receivable	329	977
Other	265	559
Total:	595	1 536

17. CURRENT TAX ASSETS

	31.12.2020	31.12.2019
Value added tax	31	17 784
Other taxes	113	58
Income tax prepaid	-	1 484
Total:	144	19 326

18. CASH AND CASH EQUIVALENTS

	31.12.2020	31.12.2019
Cash in banks, UAH	34 442	15 081
Total:	34 442	15 081

There are no cash and cash equivalents that would be difficult or impossible to use by the Company as at 31 December 2020 or 31 December 2019. There are no unused credit lines limits that would be used by Company to replenish its working capital as at 31 December 2020 or 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (in thousands of UAH)

19. ISSUED CAPITAL

19.1 Issued capital	31.12.2020	31.12.2019
Share capital	43 581	43 581
Additional capital	555	555
Total:	44 136	44 136

The share capital can be structured as follows:

19.2 Shareholder	31.12.2020	31.12.2019
Constant Holdings GmbH	100%	100%

20. LEASE LIABILITIES

The Company leases agricultural equipment and vehicles under lease agreements. The maximum duration of the lease is 36 months. The Company has the right to purchase the leased asset after the expiration of the contract at a price close to zero.

Total lease liabilities by types are stated as follows:

20.1 Long-term and short-term lease liabilities	31.12.2020	31.12.2019
Liabilities for property, plant and equipment	13 634	22 145
Liabilities for right-of-use assets	3 874	4 890
Total:	17 508	27 035

Maturities of total lease liabilities are stated as follows:

20.2 Maturities of lease liabilities as at 31 December 2020	Minimum lease payments	Future finance costs	Principal amount
Less than 1 year	(15 169)	(1 145)	(14 023)
1-3 years	(4 004)	(519)	(3 485)
Total:	(19 173)	(1 665)	(17 508)

20.2 Maturities of lease liabilities as at 31 December 2019	Minimum lease payments	Future finance costs	Principal amount
Less than 1 year	(25 417)	(1 459)	(23 958)
1-3 years	(5 900)	(2 823)	(3 077)
Total:	(31 317)	(4 282)	(27 035)

21. OTHER LONG-TERM FINANCIAL LIABILITIES

21.1 Long-term financial liabilities	31.12.2020	31.12.2019
Settlements on loans received from Constant Holdings	-	60 163
Total:	-	60 163

21.2 Current share of long-term financial liabilities	31.12.2020	31.12.2019
Settlements on loans received from Constant Holdings	71 782	-
Total:	71 782	-

In 2017, the Company entered into loan agreement with Constant Holdings. In accordance with the loan agreement No.01 dated 01 December 2017, the Company received USD 2,540 thousand. Interest on loans is calculated at a fixed rate of 11% per annum. The Company has to pay the loan until 30 June 2021.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (in thousands of UAH)

22. PROVISIONS

	Provision for unused vacations	Premium reserve	Total
As at 31.12.18	2 444	-	2 444
Accruals during the period	3 943	4 226	8 169
Reversal of provision	(2 963)		(2 963)
As at 31.12.19	3 424	4 226	7 650
Accruals during the period	4 211	4 947	9 158
Reversal of provision	(7 169)	(4 226)	(11 395)
As at 31.12.20	466	4 947	5 413

23. TRADE ACCOUNTS PAYABLE AND OTHER LIABILITIES

23.1 Trade accounts payable and other liabilities	31.12.2020	31.12.2019
Trade accounts payable	51 211	268 005
Advances received	103 120	67 832
Other liabilities	10 484	12 953
Total:	164 814	348 790

23.2 Trade accounts payable	31.12.2020	31.12.2019
Trade payables to non-residents	34 679	217 792
Trade payables to related parties - non-residents	13 913	35 285
Trade payables to residents	2 619	14 928
Total:	51 211	268 005

23.3 Currency of trade payables to non-residents	31.12.2020	31.12.2019
USD	17 672	2 809
EUR	28 617	49 229
GBP	2 304	17 087
Total:	48 593	69 125

23.4 Advances received	31.12.2020	31.12.2019
For agricultural equipment	96 158	61 510
For spare parts to agricultural equipment	5 800	5 246
For services	1 162	1 076
Total:	103 120	67 832

23.5 Other liabilities	31.12.2020	31.12.2019
Accounts on settlements with employees	1 834	6 593
Current interest liabilities on loans from related parties	8 030	5 056
Settlements on social insurance	346	1 003
VAT liabilities	239	263
Other	35	38
Total:	10 485	12 953

24. CURRENT TAX LIABILITIES

	31.12.2020	31.12.2019
Value added tax	-	-
Individual income tax	6 906	-
Other taxes	154	135
Total:	7 060	135

Current tax liabilities arise from the Company's business activities. Value added tax is calculated and paid in accordance with the tax laws of Ukraine (the statutory value added tax rate in 2019-2020 was 20%). Income tax is calculated and paid in accordance with the tax laws of Ukraine (the income tax rate in 2019-2020 was 18%).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (in thousands of UAH)

25. RELATED PARTY TRANSACTIONS

Parties are considered to be related herein if one party has the ability to control the other party or has the significant influence on the other party in making financial and operating decisions or parties under common control as it is provided by IAS 24 *Related Party Disclosures*. When considering each possible related party transactions, emphasis is placed on the nature of relationships and not merely their legal status.

As at 31 December 2020 and 31 December 2019, the Company's related parties consist of the parent company (Constant Holdings GmbH), owners, key management personnel and companies under common control with the Company.

Ultimate owners of the Company are Georg Kutelas through Casellia Ltd (32,5%), Yashar Inchesu through DSD Privatstiftung (32,5%), Jason Hunt through Storbion Holdings Ltd (30%) and Stephane Kieffer Dazel Holdings Ltd (5%).

In 2020, the key management was extended and now includes the following individuals:

- | | |
|---|--|
| - Pinchuk V. - Director; | - Bovsunovskiy D. - Head of Spare Parts Department; |
| - Shinkariuk A. - Commercial director; | - Mezinov A. - Head of Precision Farming Department; |
| - Hal'chyns'kyy V. - Technical director; | - Shcherba M. - Marketing manager; |
| - Sagaydak T. - Chief Financial Officer; | - Khavhun A. - HR Manager; |
| - Smutchak V. - Deputy Director; | - Dymura O. - Chief Accountant. |
| - Smagin K. - Head of Spare Parts Department; | |
| - Gurin S. - Head of Purchase Department; | |

The companies/individuals under common control with the Company or controlling the Company include:

- | | |
|------------------------------|-------------------------------------|
| - Liamol Trading LLP | - DSD Privatstiftung |
| - UK Heavy Machinery LLP | - Yasar Incesu |
| - Liamol Investments Limited | - UHM Ukraine LLC |
| - Constant Holdings GmbH | - JV IPC Agri |
| - Casellia Ltd | - IPC Machines LLP |
| - Dazel Holdings Ltd | - IPC Machines LLC |
| - Storbion Holding Ltd | - UK Heavy Machinery LLC Tajikistan |
| - Georg Kutelas | - Landtech FE LLC |
| - Stephane Kieffer | - IPC Machines LLC Uzbekistan |
| - Jason Lea Hunt | - IPC Machines LLC Kirgistan |
| - CISEG GmbH | |

Transactions with related parties are presented in the tables below. These transactions represent the sale and purchase of goods and services between the Company and related parties. All transactions are based on bilateral agreements; settlements are made in cash.

In the period from 01 January 2020 to 31 December 2020, there were no securities arising from related party transactions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (in thousands of UAH)

	Year ended 31.12.2020	Year ended 31.12.2019
25.1 Income and expenses on related party transactions		
Interest on borrowings from companies under common control	(9 381)	(8 115)
Repayment of liabilities on borrowings from companies under common control	(6 409)	(33 839)
Purchase of goods from companies under common control	(109 403)	(131 362)
Repayment of borrowings to key management	130	637
Remuneration of key management	(11 198)	(10 722)
25.2 Current assets on related party transactions	31.12.2020	31.12.2019
Accounts receivable on borrowings provided to key management	50	-
Accounts on other settlements with owners	-	100
Total:	50	100
25.3 Current liabilities on related party transactions	31.12.2020	31.12.2019
Liabilities on borrowings from companies under common control	(71 782)	(60 163)
Accounts payable to companies under common control for goods	(13 915)	(35 287)
Total:	(85 696)	(95 450)

26. PENSION OBLIGATIONS

The Company pays to the Pension Fund of Ukraine with at rates and in amounts determined by Ukrainian legislation. The Company does not use any other retirement benefit plans. The Company recognizes any other possible payments to retirees as expenses of the period, in which such payments were made.

27. RISK MANAGEMENT POLICY

The Company can be exposed to the risk of state and tax system environment, credit risk, liquidity risk, market risk (including risk of interest rates and foreign exchange risk) and capital management risk due to the existence of financial instruments of the Company. Information concerning the influence of these risks on the Company, the Company's objectives, its risk assessment and management policy and procedures are disclosed in Notes below.

Additional explanations concerning quantitative information are disclosed in other Notes hereto:

- information about income and expenses is disclosed in Notes 7, 8;
- information about cash is disclosed in Note 18;
- information about trade and other receivables is disclosed in Note 16;
- information about trade and other payables is disclosed in Note 23.

The Company has no general and integral formalized system of risk management. However, management of the Company controls financial and market risks and takes adequate measures, if they are required.

a. State environment risk

Ukraine has been experiencing political and economic changes, and these changes could continue influencing the activities of the Company under such conditions. Currently Ukraine is experiencing a number of economic problems, which are complicated by the ongoing military conflict in the east of the country. However, the country has a potential to become more competitive and developed. Unique combination of natural, intellectual, human and production resources together with effective and professional government opens new opportunities for development of the country. Prospects for future economic stability in Ukraine considerably depend on effective economic steps and reforms combined with development of legislation and politics, which are not under the control of the Company. These financial statements represent current management assessment of the Ukrainian business environment in respect of the Company activities, and its financial position. However, future conditions could differ from this assessment.

b. Tax system risk

The Tax Code of Ukraine is the main document in Ukraine that regulates different taxes established by general and local authorities. There is value added tax, income tax, personal income tax, etc. Ukrainian tax legislation often has unclear or doubtful regulations. Besides, lots of changes are often made. This could lead to either improvement or worsening of environment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (in thousands of UAH)

Government Ministries and government bodies, including tax authorities could have different understanding of laws, creating uncertainty and conflicts. Tax returns and tax compensations are considered authorities, which are authorized to penalize, impose fines, and accrue interests. Such circumstances cause higher risk if compare with countries with developed tax systems.

c. Credit risk

Credit risk is a risk of financial losses to the Company in the case of a counterparty's failure to comply with contract obligations to the Company. In the reporting financial period, assets of the Company, which are a subject to such risk, are represented by cash in bank, trade and other receivables (except receivables, which are non-financial by nature).

Sensitivity to credit risk

Carrying amount of financial assets is the maximum value, which is a subject to financial risk. Maximum value of credit risk as at 31 December 2020 and 31 December 2019 is disclosed in the following table:

27.1 Assets in the Statement of financial position	Note	31.12.2020	31.12.2019
Trade accounts receivable	16	54 806	24 694
Other current accounts receivable	16	595	1 536
Cash and cash equivalents	18	34 442	15 081
Total:		89 843	41 311

Credit risk of the Company relates mainly to trade receivables. Aptitude of the Company to the credit risk increasingly depends on each client's peculiarities.

Credit risk is being permanently controlled and analyzed on the case-by-case basis. Management of the Company believes that credit risk is presented properly through impairment, which directly decreases the book value of receivables.

Concentration of credit risk in trade receivables is as follows:

- as at 31 December 2020, UAH 30 838 thousand, which is 55.87% of the total trade receivables, accounted for the most significant debtor John Deere Walldorf GmbH & Co KG – UAH 16 877 thousand, ASK FH - UAH 9 470 thousand, AGRISTAR LLC – UAH 4 491 thousand.
- as at 31 December 2019, UAH 4 621 thousand, representing 18,71% of the total trade receivables accounted for the most significant debtor FP Gulina V.A.

d. Liquidity risk

Liquidity risk is the risk of the Company's failure to fulfill financial liabilities as they mature. The Company's approach to liquidity management is securing (as much as possible) the required level of liquidity, which would enable to settle liabilities in time (in both regular and extraordinary conditions), that allows to avoid additional costs or damage to the Company reputation.

Management is responsible for maintaining the required level of liquidity. The management of the Company developed respective structure of maintaining of the Company's requirements of short-, medium- and long-term financing and liquidity control. The Company manages this risk by maintaining sufficient reserves, using bank resources and loans. Furthermore, it monitors the planned and actual cash flows, combines maturities of Company's assets and liabilities.

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

27.2 Assets in descending order of liquidity	31.12.2020	31.12.2019
The most liquid assets (A1)	34 442	15 081
Quick assets (A2)	66 886	48 985
Slow assets (A3)	253 988	431 730
Sticky assets (A4)	148 513	142 284
Total:	503 830	638 080

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020 (in thousands of UAH)

27.3 Liabilities in ascending order of maturity	31.12.2020	31.12.2019
The most forward liabilities (P1)	177 287	356 575
Short-term liabilities (P2)	85 805	23 958
Long-term liabilities (P3)	3 485	63 240
Equity (P4)	237 253	194 307
Total:	503 830	638 080

The absolute amounts of payment excess or deficiency as at 31 December 2020 and 31 December 2019 are presented in the table below.

27.4 Surplus (deficit) in the group's assets and liabilities	31.12.2020	31.12.2019
1	(142 845)	(341 494)
2	(18 919)	25 027
3	250 503	368 490
4	(88 740)	(52 023)
Total:	-	-

The statement of financial position is considered to be absolutely liquid, if: A1> P1, A2> P2, A3> P3, A4 <P4. As at 31 December 2020, two conditions of liquidity are fulfilled (31 December 2019: three).

The following table provides a liquidity analysis of the Company as at 31 December 2020 and 31 December 2019 using liquidity indicators calculation.

27.5 Liquidity indicators	31.12.2020	31.12.2019
Absolute liquidity ratio	0,131	0.040
Quick liquidity ratio	0,385	0.168
Current liquidity ratio	1,351	1.303

The absolute liquidity ratio shows the amount of payables that the company can repay immediately. This ratio should not be below 0.2. As of 31 December 2020, the Company may repay 13,1% accounts payable (31 December 2019: 4,0%).

The quick liquidity ratio shows how liquid funds of the company cover its current liabilities. Liquid assets include all current assets of the company, except for inventory. The recommended ratio is from 0.7-0.8 to 1,5. As of 31 December 2020, the Company's liquid funds cover its short-term debt by 38,5% (31 December 2019: 16,8%).

The current liquidity ratio shows whether the company has enough funds that may be used to repay its current liabilities during the year. The recommended ratio is from 1 to 2. As of 31 December 2020, the Company has sufficient funds to meet its current liabilities (31 December 2019: the Company has sufficient funds to meet its current liabilities).

The following table provides analysis of monetary liabilities grouped on the basis of the period remaining until the maturity date of the contract obligation, after 31 December 2020:

27.6 Liabilities in the Statement of Financial Position as at 31.12.2020	Up to 1 year	1 year up to 5 years	Total	Carrying amount
Borrowings	71 782		71 782	71 782
Financial lease liabilities	15 169	4 004	19 173	17 508
Trade and other payables	61 694		61 694	61 694
Total:	148 645	4 004	152 649	150 984

The tables below represent the maturity analysis of the Company's financial liabilities based on remaining term at the reporting date to the contractual maturity date, after 31 December 2019:

27.6 Liabilities in the Statement of Financial Position as 31.12.2019	Up to 1 year	1 year up to 5 years	Total	Carrying amount
Borrowings	-	60 163	60 163	60 163
Financial lease liabilities	25 417	5 900	31 317	27 035
Trade and other payables	280 958	-	280 958	280 958
Total:	306 375	66 063	372 438	368 156

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Amounts of trade and other payables, presented in the tables above, do not include payables of advances received, payables to employees and tax payables.

According to the Company plans, previously planned requirements concerning working capital are fulfilled for both inflow of cash from operating activities and inflow from borrowings, when amount of cash is not enough for timely repayment of debts.

e. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company believes that its exposure to the risk of changes in market interest rates is insignificant, because 100% of its borrowing funds have a fixed interest rate of 11% according to the loan agreements.

f. Currency risk

Management sets limits to the currency risk exposure by currencies and as a whole. There is a control over positions. Solely monetary assets and liabilities are included in the analysis. Non-monetary assets are not considered as those being able to bring to a significant currency risk.

According to IFRS 7 *Financial Instruments: Disclosures*, currency risk appears as regards monetary financial instruments in currency being not functional; risks associated with currency translation are not taken into account.

Generally, the Company performs its activities in the following currencies: UAH, USD, EUR, GBP.

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

31.12.2020	Increase/ decrease	Effect on profit and equity
EUR	10%	(1 169)
EUR	(10%)	1 169
USD	10%	(9 190)
USD	(10%)	9 190
GBP	10%	(215)
GBP	(10%)	215

31.12.2019	Increase/ decrease	Effect on profit and equity
EUR	10%	(6 160)
EUR	(10%)	6 160
USD	10%	(22 407)
USD	(10%)	22 407
GBP	10%	(3 076)
GBP	(10%)	3 076

The tables below represent the Company's monetary assets and liabilities at their carrying amount.

As at 31 December 2020:	USD	EUR	GBR	Total
Trade receivables	1	16 931	151	17 084
Trade payables	(17 672)	(28 617)	(2 304)	(48 593)
Borrowings and interest on borrowings	(71 782)	-	-	(71 782)
Finance lease liabilities	(2 452)	-	-	(2 452)
Total carrying amount exposed to risk	(91 904)	(11 686)	(2 153)	(105 744)

As at 31 December 2019:	USD	EUR	GBR	Total
Trade receivables	-	2 681	-	2 681
Trade payables	(158 042)	(64 279)	(30 756)	(253 077)
Borrowings and interest on borrowings	(60 163)	-	-	(60 163)
Finance lease liabilities	(5 864)	-	-	(5 864)
Total carrying amount exposed to risk	(224 069)	(61 598)	(30 756)	(316 424)

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g. Capital management

Capital management of the Company is directed on maintenance of continuous activities of the Company with the simultaneous increase in profits through optimization of the ratio between equity and debt capital.

Management maintains capital on the level, which is sufficient for achievement of strategic and operational requirements and for support of the trust of other market players through efficient cash management, continuous control of revenue and profit of the Company, and also planning of long-term investments, which are financed from cash flows from the Company's operating activity. In doing so, the Company is trying to provide the permanent increase of profits.

27.9 Calculation of financial indicators	Note	31.12.2020	31.12.2019
Issued capital	19	43 581	43 581
Retained earnings (uncovered loss)		193 116	150 171
Total equity		236 698	193 752
Non-current liabilities	20,21	3 485	63 240
Current portion of non-current liabilities	20	85 805	23 958
Trade payables	23	51 211	268 005
Other payables and advances received	23	120 663	80 920
Total debt		261 164	436 123
Cash and cash equivalents	18	34 442	(15 081)
Net debt		226 721	421 042
Total equity and net debt		463 419	614 794
Net debt / Total equity and net debt		0.49	0.68

The indicator of retained earnings of the Company for the year ended 31 December 2020 is characterized by an increase in comparison with the year ended 31 December 2019. For the year ended 31 December 2020, the Company's profit amounted to UAH 42 945 thousand (year ended 31 December 2019: UAH 61 743 thousand). The total debt as of 31 December 2020 increased by 40,12% compared to 31 December 2019.

h. Operational risk

In 2020 and 2019, the financial performance of the Company is described as good. The profit for the year ended 31 December 2020 reflects a gain of UAH 42 945 thousand and a gain of UAH 61 743 thousand for 2019. It should be noted that the following factors influenced the decrease in profit in 2020 compared with 2019: first of all – unfavorable weather conditions in the regions where the company operates (abnormal dry weather caused considerably low yields of the vast majority of crops and a significant deterioration in the financial condition of the company's customers), a significant negative impact on the financial result had hryvnia devaluation, which caused damage from operational exchange rate differences, and also – quarantine, which led to a slowdown in business activity in the market and increased uncertainty. As a result of such negative trends and events in the market in general and in the regions where the Company operates in particular, the Company's profit for the year ending December 31, 2020 decreased compared to the year ahead. However, the Company retained the loyalty of its customers, optimized inventory management, and did not make large-scale staff reductions or reductions in fixed compensation payments. Thus, during 2019-2020, the Company did not have to mitigate operational risk through positive momentum in its operating performance.

i. Guarantee for third parties

Based on the financial leasing agreements dated 21 February 2018, concluded between PORSCHE LEASING Ukraine LLC and UHM Ukraine LLC, the Company acts as a guarantor for liabilities for 4 (four) purchased passenger cars with a total value equivalent to USD 49.7 thousand.

28. EVENTS AFTER THE REPORTING PERIOD

New business activity: agricultural drones

As part of the Company's business growth activities, a new opportunity to expand the Company's portfolio with new high-tech products was considered. One of the newest technologies that quickly comes into daily use, is the use of drones for field spraying (agro drones). Therefore, in March 2021 it was decided that the Company begins to cooperate with an exclusive importer of drones in Ukraine - Drone.UA (Smart Trading Group Company). DroneUA is an international system integrator of drones solutions. The Company operates in energy, oil and gas industry, geodesy and cartography, agriculture. The main activity of the Company is

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the implementation of industry solutions based on automatically piloted technologies and drones. DroneUA is an exclusive distributor of XAG.

XAG is one of the world's leading manufacturers of drones, develops application solutions for crop protection products using drones and ground robots. The Company's technical solutions have made a breakthrough from "equal application" to "differentiated application", which allows farmers to significantly reduce the use of pesticides and avoid wasting water resources.

There is a number of advantages in this new line of business: it's a new, fast-growing market for drones farming solutions. There is little competition at the moment, but it will grow substantially in the future.

The new direction will allow the Company to position itself in the territory of its presence as a single company for all customer needs. This is also a new, profitable for the company, branch of business development.

The main dealer activity in this direction is the sale of drones and the provision of spraying services. Providing services is mainly focused on promoting drone sales and remain a secondary activity.

Impact of coronavirus (COVID-19)

In the first months of 2020, the coronavirus (COVID-19) spread around the world and its negative impact intensified.

According to the Company's management, this outbreak is related to events after the reporting period and does not require an adjustment to the financial statements for the period ending 31 December 2020. Although the situation is still developing as of the date of these financial statements, till now there has been no discernible impact of the coronavirus (COVID-19) on the Company's going concern, namely the Company's sales operations or supply chain.

The Company has supported all initiatives of the Ukrainian government to minimize the spread of coronavirus (COVID-19) among employees and customers and has taken measures to protect employees (business trips are cancelled, remote work for office workers is organized, employee transportation is organized during quarantine, their health status is monitored, disinfection of production and office premises is increased).

However, the impact of this situation on the Company in the future cannot be predicted. The Company will continue to closely monitor the potential impact of these events and will take all possible measures to reduce the possible consequences.