

**Limited Liability Company «YC DISTRIBUTION»**

**Financial Statements according to  
International Financial Reporting Standards  
and Independent Auditor's Report**

**For the year ended 31 December 2023**

**YC DISTRIBUTION LLC**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

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## YC DISTRIBUTION LLC

### STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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The following statement, which should be read in conjunction with the independent auditor's responsibilities stated in the independent auditor's report set out on pages 4-6 is made with a view of distinguishing the respective responsibilities of the management and those of the independent auditors in relation to the financial statements of YC Distribution LLC (hereinafter "the Company").

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 2023 and the results of its operations, cash flows and changes in equity for the year ended 31 December 2023 in compliance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 as are reasonably available to them to safeguard the assets of the Company; and
- Detecting and preventing fraud and other irregularities.

These financial statements of the Company for the year ended 31 December 2023 were authorized for issue on 6 March 2024 on behalf of the management of the Company by:

Director



Sergey Katana

Chief accountant

Nataliia Firova

# Independent auditor's report

To the participants of Limited Liability Company “YC Distribution”

## Opinion

We have audited the financial statements of Limited Liability Company “YC Distribution” (the Company), which comprise the statement of financial position as at 31 December 2023 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year, then ended; and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023 and its financial performance and its cash flows for the year, then ended, in accordance with International Financial Reporting Standards (IFRSs).

## Basis for Opinion

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

### Material Uncertainty Related to Going Concern

We draw attention to Note 2 (d) in the financial statements, which indicate that since 24 February 2022, the Company's operations are significantly affected by the ongoing military invasion of Ukraine and that the magnitude of the further developments or timing of when those actions will cease are uncertain. These events or conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Emphasis of Matter

#### Concentration of transactions and balances with related parties

Without qualifying our opinion, we draw attention to Note 22 “Related parties” to the financial statements, which discloses significant concentration of transactions and balances with related parties. Our opinion is not modified in respect of this matter.

### Other Matter - Restriction on Distribution and Use

Without modifying our opinion, we note that these financial statements of Limited Liability Company “YC Distribution” have not been prepared for the purposes of shares public offering or its filling to statutory and tax authorities. Consequently, these financial statements are not suitable for such purposes.

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

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

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

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

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

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

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

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

Yulia Gumenyuk  
Partner

Registration number in the Register of auditors  
and audit firms: 100794

BAKER TILLY UKRAINE LLP

Registration number in the Register of auditors  
and audit firms: 2091

Kyiv, Ukraine

06 March 2024



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Limited Liability Partnership "BAKER TILLY UKRAINE"

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# YC DISTRIBUTION LLC

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

(in thousand USD unless otherwise stated)

	Notes	31 December 2023	31 December 2022
<b>Assets</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets		7	-
Right-of-use assets	5a	60	46
Property and equipment	6	69	103
Deferred tax assets	21	1,055	441
		<b>1,191</b>	<b>590</b>
<b>CURRENT ASSETS</b>			
Inventories	7	38,533	39,136
Trade accounts receivable	8	24,282	20,610
Prepayments and other accounts receivable	9	10,699	6,583
Cash and cash equivalents	10	18,524	9,980
		<b>92,038</b>	<b>76,309</b>
<b>Total assets</b>		<b>93,229</b>	<b>76,899</b>
<b>EQUITY</b>			
Statutory capital	13	17,902	17,902
Retained earnings		6,677	6,187
Foreign currency translation reserve		(5,969)	(5,250)
<b>Total equity</b>		<b>18,610</b>	<b>18,839</b>
<b>Liabilities</b>			
<b>NON-CURRENT LIABILITIES</b>			
Long-term loans and borrowings	11	18,430	15,055
Long-term lease liabilities	5b	14	18
		<b>18,444</b>	<b>15,073</b>
<b>CURRENT LIABILITIES</b>			
Loans and borrowings	11	1,580	4,020
Current portion of long-term lease liabilities	5b	54	34
Trade and other payables		31,414	33,007
Income tax liabilities		310	612
Other liabilities	12	22,817	5,314
		<b>56,175</b>	<b>42,987</b>
<b>Total equity and liabilities</b>		<b>93,229</b>	<b>76,899</b>

Financial statements of the Company for the year ended 31 December 2023 were authorized for issue on 6 March 2024 on behalf of the management of the Company by

Director



Sergey Katana

Chief accountant

Nataliia Firova

*The accompanying notes are an integral part of these financial statements*

# YC DISTRIBUTION LLC

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

(in thousand USD unless otherwise stated)

	Notes	2023	2022
Revenue	14	236,177	214,746
Cost of sales	15	(205,043)	(183,246)
<b>GROSS PROFIT</b>		<b>31,134</b>	<b>31,500</b>
Selling and distribution costs	16	(20,935)	(13,878)
Administrative expenses	17	(1,129)	(1,384)
Other income	18	169	211
Other expenses	19	(6,583)	(9,411)
<b>OPERATING PROFIT</b>		<b>2,656</b>	<b>7,038</b>
Finance income	20	2,233	919
Finance costs	20	(4,286)	(3,442)
<b>PROFIT BEFORE INCOME TAX</b>		<b>603</b>	<b>4,515</b>
Income tax expense	21	(113)	(818)
<b>PROFIT FOR THE YEAR</b>		<b>490</b>	<b>3,697</b>
<b>Other comprehensive income / (expenses)</b>		-	-
<b>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</b>			
Loss on translation to presentation currency		(719)	(5,722)
<b>OTHER COMPREHENSIVE LOSS</b>		<b>(719)</b>	<b>(5,722)</b>
<b>TOTAL COMPREHENSIVE LOSS</b>		<b>(229)</b>	<b>(2,025)</b>

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Sergey Katana

Chief accountant

Nataliia Firova

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# YC DISTRIBUTION LLC

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

(in thousand USD unless otherwise stated)

	Notes	2023	2022
<b>Cash flows from operating activities:</b>			
Cash receipts from customers		267,697	270,969
Bonuses and compensations received		2,273	915
Cash paid to employees and related taxes		(3,521)	(3,063)
Cash paid to suppliers		(239,047)	(244,856)
Other payments		(33,134)	(29,134)
Interest paid		(3,641)	(2,229)
Income tax paid		(1,058)	(519)
<b>Net cash flows used in operating activities</b>		<b>(10,431)</b>	<b>(7,917)</b>
<b>Cash flows from investing activities:</b>			
Purchase of property and equipment and intangible assets		(1)	(95)
Interest on deposits received		2,267	434
Dividends received		-	-
Financial assistance provided		-	(31)
<b>Net cash flows from investing activities</b>		<b>2,266</b>	<b>308</b>
<b>Cash flows from Financing activities:</b>			
Receipt of loans and borrowings		5,727	17,093
Repayment of loans and borrowings		(4,019)	(3,149)
Received financial assistance		16,702	4,219
Increase of statutory capital		-	176
Repayment of lease liabilities	5c	(101)	(72)
<b>Net cash flows from financing activities</b>		<b>18,309</b>	<b>18,267</b>
<b>Net increase in cash and cash equivalents</b>		<b>10,144</b>	<b>10,658</b>
Net foreign exchange difference		(1,600)	(2,719)
Cash and cash equivalents at the beginning of the period	10	9,980	2,041
<b>Cash and cash equivalents at the period end</b>	<b>10</b>	<b>18,524</b>	<b>9,980</b>

Financial statements of the Company for the year ended 31 December 2023 were authorized for issue on 6 March 2024 on behalf of the management of the Company by:

Director

  
Sergey Katana

Chief accountant

  
Nataliia Firova

*The accompanying notes are an integral part of these financial statements*

# YC DISTRIBUTION LLC

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

(in thousand USD unless otherwise stated)

	Share capital	Unpaid capital	Retained earnings	Foreign currency translation reserve	Total equity
<b>As at 31 December 2021</b>	<b>17,902</b>	<b>(204)</b>	<b>2,490</b>	<b>472</b>	<b>20,660</b>
Profit for the year	-	-	3,697	-	3,697
Other comprehensive income	-	-	-	(5,722)	(5,722)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>3,697</b>	<b>(5,722)</b>	<b>(2,025)</b>
Increase of statutory capital (Note 13)	-	204	-	-	204
<b>As at 31 December 2022</b>	<b>17,902</b>	<b>-</b>	<b>6,187</b>	<b>(5,250)</b>	<b>18,839</b>
Profit for the year	-	-	490	-	490
Other comprehensive income	-	-	-	(719)	(719)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>490</b>	<b>(719)</b>	<b>(229)</b>
<b>As at 31 December 2023</b>	<b>17,902</b>	<b>-</b>	<b>6,677</b>	<b>(5,969)</b>	<b>18,610</b>

Financial statements of the Company for the year ended 31 December 2023 were authorized for issue on 6 March 2024 on behalf of the management of the Company by:

Director

 Sergey Katana

Chief accountant

 Nataliia Firova

*The accompanying notes are an integral part of these financial statements*

# YC DISTRIBUTION LLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

*(in thousand USD unless otherwise stated)*

### 1. Corporate information

Limited Liability Company «YC DISTRIBUTION» (YC DISTRIBUTION LLC or Company) was established and registered in accordance with the legislation of Ukraine on February 18, 2011. The principal activities of the Company are the wholesale distribution of computer equipment, photographic equipment, home appliances, communications and telecommunications equipment of a number of manufacturers.

The Company's registered address is 1 Dorogozhytska St, Kyiv, 04119, Ukraine. The head office of Company is located at its legal address, which is also the principal place of business of the Company.

### Shareholders and ultimate beneficial owners

As at 31 December 2023 and 31 December 2022, registered shareholders of YC DISTRIBUTION LLC and their ownership shares are the following:

	31 December 2023	31 December 2022
VAMA GROUP LLC	40,685%	40,685%
GEN GROUP LLC	40,685%	40,685%
SC «VICTORIANO»	10,050%	10,050%
Other shareholders	8,580%	8,580%
	<b>100,00%</b>	<b>100,00%</b>

As at 31 December 2023, the ultimate beneficial owners of the Company were Valerii Makovetskyi and Gennadii Vykhodtsev, each of whom indirectly owns 45.71% of the voting ordinary shares of the Company.

### Operating environment

YC DISTRIBUTION Limited Liability Company conducts its operations in Ukraine. After a slight recovery in 2021 from global economic recession caused by the COVID-19 pandemic, starting on 24 February 2022 the Ukrainian economy is being damaged of ongoing russia's full-scale war against Ukraine, exposing risks that are not typical and creating challenges for businesses located and operating there.

The invasion was preceded by months of russian troops gathering on Ukraine's borders, which russia tried to disguise as exercises, as well as escalation of russian military aggression against Ukraine in some areas of Lugansk and Donetsk regions that started in spring 2014, together with illegal annexation of Crimea by the russian federation.

On 24 February 2022, Ukraine imposed martial law and ordered general mobilization. Following russian troops defeat in the north of Ukraine, Armed Forces of Ukraine made russia withdrew its troops from Kyiv, Chernihiv, and Sumy regions in April 2022. In addition, under considerable pressure from Ukrainian troops, russians left the right-bank part of the Kherson region in November 2022. As winter approaches, russia has shifted its focus to terrorist bombing of critical civilian infrastructure. As a result, Ukraine faced a shortage of electricity. The Armed Forces of Ukraine continue fierce resistance to russian forces.

However, the consequences of military aggression are currently destruction of civilian infrastructure, including production facilities, scaled back and, in some cases, stopped the operation of certain businesses, disrupted supply chains, large-scale displaced of people, and other.

The fall in Ukraine's GDP by the end of 2022 is estimated at the level of 30.4% ( $\pm 2\%$ ), which is a better indicator than predicted by previous forecasts.

In 2023, the Ukrainian hryvnia significantly depreciated against major foreign currencies. As at 31 December 2023, the official exchange rate of the National Bank of Ukraine to the US dollar was 37.9824 hryvnias, and to the euro was 42.2079 hryvnias (as at 31 December 2022: 36.5686 and 38.951, respectively).

At the end of 2023, the Fitch rating agency confirmed the long-term sovereign rating of Ukraine in foreign and national currencies at the level of "CCC/CCC-" and the short-term sovereign rating of Ukraine in foreign and national currencies at the level of "C/C". And in September 2023, according to Standard & Poor's estimates,

# YC DISTRIBUTION LLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

*(in thousand USD unless otherwise stated)*

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the long-term sovereign rating of Ukraine in foreign and national currencies for the year was assessed at the level of "CCC/CCC+" and the short-term sovereign rating of Ukraine in foreign and national currencies at the level of "C/C".

Management continues to make efforts to identify and mitigate impacts to the Company, however, there are factors beyond its knowledge or control, including the duration and severity of warfare, level of international support of Ukraine, as well as further governmental and diplomacy actions taken.

### 2. Basis of preparation

#### (a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) approved by International Accounting Standards Board (IASB) and in line with interpretations issued by IFRIC, that are used by companies reporting in accordance with IFRS.

#### (b) Principles of preparation of financial statement

These financial statements have been prepared in accordance with the principle of the historical cost. The following are the basic accounting principles used in preparing these financial statements.

#### (c) Functional and representation currency

The functional currency of the Company is the Ukrainian Hryvnia, the currency of the primary economic environment in which the Company operates.

Transactions in other currencies are treated as transactions in foreign currency. Foreign currency transactions are initially recorded in the functional currency at the rate effective at the date of the transaction.

The financial statements are presented in USD, and all values are rounded to the nearest thousand, except when otherwise indicated. These financial statements are prepared to fulfil requirements of certain vendors.

The translation of UAH denominated assets and liabilities into USD in these special purpose financial statements does not necessarily mean that the Company could realize or settle in USD the reported values of these assets and liabilities. Likewise, it does not necessarily mean that the Company could return or distribute the reported USD value retained earnings to its owners. For the purposes of presenting financial information in USD, assets and liabilities are translated from UAH to USD using the official closing rates at each reporting date. Income and expense items are translated at the annual weighted average official exchange rate. For translation of UAH figures into USD figures for the cash flow statement the Company uses average UAH/USD exchange rate.

#### (d) Going concern

On the morning of February 24, 2022, the Russian Federation launched a large-scale invasion of Ukraine. It was followed by the immediate introduction of martial law in accordance with the Decree of the President of Ukraine approved by the Verkhovna Rada of Ukraine and the corresponding introduction of temporary restrictions affecting the economic environment. In view of the above, the Company has assessed the assumptions about the Company's ability to continue as a going concern on which the financial statements have been prepared.

The Company's operations have been affected by events related to the military invasion and management has prepared its financial plans based on known facts and events, however, there is significant uncertainty regarding the future development of the military invasion, its duration and the short-term and long-term impact on the Company, its personnel, operations, liquidity and assets. There may be several scenarios for further development of the current situation with unknown probability, and the magnitude of the impact on the Company may range from insignificant to serious. The main specific risk factors include:

- the ability to negotiate with banks and raise new credit limits (loans) in 2024 to finance the Company's

## YC DISTRIBUTION LLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

*(in thousand USD unless otherwise stated)*

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operations. This is subject to uncertainty regarding the availability and willingness of banks to provide such financing;

- the ability to negotiate with the main suppliers for deferred payments for future deliveries, restructuring of existing debts, maintaining the range and nomenclature of deliveries, their rhythmicity in time;
- the safety of fixed assets and inventories (assets), as well as access to logistics routes, are highly dependent on the development of military activity. There is considerable uncertainty as to whether assets or transportation routes may be damaged or unavailable, and therefore the Company may not be able to move its assets between locations, customers and suppliers. This could result in additional costs or loss of revenue.

As of the date of authorization of these financial statements, there was no damage of the Company's critical assets that would impede the continuation of its operations.

Despite the negative effects of the hostilities and the decline in demand due to the migration of more than 10% of the population, the Company is gradually recovering its sales volumes.

As at the date of authorization of these financial statements, the Company continues to supply goods to its counterparties on a continuous basis and complies with the repayment schedule under existing loan agreements. The Company does not expect impairment of accounts receivable by more than USD 5.9 million in 2024.

In January-February 2024, the Company purchased goods for sale in the amount of USD 29.6 million. Sales for January-February 2024 amounted to USD 29.6 million.

Accounts receivable for goods, works, and services decreased from USD 24.3 million at the beginning of January 2024 to USD 22.2 million at the end of February 2024.

Accounts payable for goods, works, and services decreased from USD 31.4 million at the beginning of January 2024 to USD 27.1 million at the end of February 2024.

Due to the uncertainty impact of the future development of the military invasion on the following significant assumptions underlying management's forecasts, management concludes that events and conditions caused by the military invasion of the Russian Federation will have a certain impact on the Company's ability to continue as a going concern, but it is not expected to be material in the short to medium term.

In order to analyze the Company's ability to continue as a going concern, management has prepared an updated financial forecast that demonstrates the Company's ability to continue as a going concern. This forecast is based on the following material assumptions:

- the Company's available cash and cash equivalents as of the end of February 2024 amounted to USD 11.7 million;
- the intensity of hostilities and the volume of the territories of Ukraine invaded by Russian troops will not increase, and therefore the Company will at least be able to operate throughout Ukraine, except for the temporarily occupied territories;
- the volume of demand for goods in the free territories will remain close to the level existing as of the date of approval of these financial statements.

These events or conditions, together with other matters, indicate that a material uncertainty exists that may cast significant doubt about the Company's ability to continue as a going concern.

Despite these material uncertainties, management has concluded that it is appropriate to use the going concern basis of accounting in preparing these financial statements.

## YC DISTRIBUTION LLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

*(in thousand USD unless otherwise stated)*

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#### **(e) New and amended IFRS Standards that are effective for the current year**

The accounting policies applied in the preparation of these financial statements are consistent with those followed in the preparation of the Company's financial statements for the year ended 31 December 2022, except as described below.

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2023.

- IFRS 17 – Insurance Contracts and Amendments to IFRS 17
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies
- Amendments to IAS 8 – Definition of Accounting Estimates
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 12 – International Tax Reform – Pillar Two Model Rules

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

#### **(f) New and revised IFRS Standards in issue but not yet effective**

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

	<i><b>Effective date</b></i>
Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely / Available for optional adoption
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1 – Non-current Liabilities with Covenants	1 January 2024
Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements	1 January 2024
Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 21 – Lack of Exchangeability	1 January 2025

The management does not expect that the adoption of the Standards listed above will have a material impact on the Company's financial statements in the future periods.

# YC DISTRIBUTION LLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(in thousand USD unless otherwise stated)

### 3. Summary of significant accounting policies

The following significant accounting policies have been consistently applied in the preparation of these financial statements.

#### (a) Transactions in foreign currencies

When preparing the Company's financial statements, transactions in currencies other than the functional currency are translated at the exchange rate at the date of the transaction. Monetary items denominated in foreign currencies are translated at the appropriate exchange rate at the reporting date.

Non-monetary items carried at fair value, denominated in foreign currencies, are translated at the exchange rate at the date that the fair value was determined.

Non-monetary items that are stated at historical cost in a foreign currency are not recalculated.

Foreign exchange differences arising on monetary items or during the translation of monetary items at rates different from the rates at which they are translated at initial recognition during the reporting period or in the preceding reporting periods are recognized in profit or loss in the period in which such differences have arisen, except for those differences in exchange rates that are recognized in other comprehensive income.

As at 31 December 2023 and 31 December 2022, the exchange rates used to translate foreign currency amounts were as follows:

	31 December 2023	31 December 2022
1 USD	37,9824	36.5686
1 EUR	42,2079	38.9510
	<b>2023</b>	<b>2022</b>
Average USD exchange rate	36.575	32.3684

Foreign exchange differences arising on the revaluation of monetary items (other than cash and cash equivalents) in foreign currency at the end of the reporting period are attributable to unrealized foreign exchange differences. At the time of maturity of these monetary items (payment or receipt of cash), any previously accumulated unrealized foreign exchange differences that arose from the initial recognition of the monetary item to the time of redemption are recognized as the realized exchange differences.

Foreign exchange differences arising on the revaluation of monetary items related to investment and financial activities are included in non-operating exchange differences. Such items include loans and borrowings, deposits with a contractual maturity of more than three months, accounts payable for fixed assets and intangible assets, loans to employees, etc.

Foreign exchange differences arising on the revaluation of monetary items, except those relating to investment and financial activities, are included in operating exchange differences.

#### (b) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The historical cost of property and equipment comprises:

- (i) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- (ii) any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management of the Company;
- (iii) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Capitalized costs include major expenditures for improvements and replacement of parts of assets that extend their useful life or enhance their ability to generate income. Repairs and maintenance of property and equipment that do not meet the above capitalization criteria are recognized in profit or loss in the period in which they are

## YC DISTRIBUTION LLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset.

The useful life of property and equipment by group is as follows:

Name of the group	The useful life
Communications and computer equipment	3-5 years
Trade and advertising equipment	4 years
Warehouse equipment	4-5 years
Other fixed assets	12 years

Low-valued non-current assets with a cost less than UAH 20 thousand are recognized as low-value non-current tangible assets and are 100% depreciated at the date of commissioning.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized. Residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted, if appropriate.

#### **(c) Intangible assets**

Intangible assets are carried at cost less accumulated amortization and impairment. Depreciation is charged on straight-line basis over the life of the assets. The expected useful life and depreciation method are reviewed at the end of each reporting period. Change in useful lives accounted for prospectively:

- (i) Computer software - the acquired computer software licenses are capitalized in the amount of costs incurred for the purchase and installation of specific software. These costs are amortized on a straight-line basis over the entire estimated useful life (usually from 2 up to 5 years).
- (ii) Trademarks - capitalized acquisition costs and / or registration of the asset. These costs are amortized on a straight-line basis over the estimated useful life (usually from 2 to 10 years).

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that intangible asset may be impaired. Amortization period and amortization method for an intangible asset with a finite life are reviewed at least at each year end. Changes in expected useful life or expected pattern of consumption of future economic benefits embodied in the asset are treated as changes in accounting estimates.

Amortization expense of intangible assets is recognized in the statement of comprehensive income in the expense category consistent with the function of an intangible asset.

#### **(d) Impairment of fixed assets**

At each reporting date, the Company assesses the carrying value of its property and equipment, intangible assets and right-of-use assets to determine the existence of any indicators of impairment. If any such indicator exists, the expected asset's recoverable amount is estimated to determine the amount of impairment losses, if any. In order to determine the impairment loss assets are grouped into the lowest levels for which it is possible to identify separate cash flows (cash-generating units).

Asset's recoverable amount is the higher of: fair value less costs to sell and its value in use. In assessing 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 the risks specific to the asset.

If an estimated recoverable amount of an asset (a cash-generating unit) is below its carrying amount, the carrying amount of an asset (a cash-generating unit) is written down to the recoverable amount.

Impairment loss is immediately recognized in the statement of comprehensive income. Where an impairment loss is subsequently reversed, the carrying value of an asset (a cash-generating unit) is increased to the extent that the carrying amount of an asset (a cash-generating unit) does not exceed the carrying amount that would have been determined, if no impairment loss had been recognized in prior periods. Reversal of impairment loss is immediately recognized in the statement of comprehensive income.



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#### **(e) Financial instruments**

Financial assets and liabilities are reflected in the Company's statement of financial position when the Company becomes a party to agreement regarding the respective financial instrument. The Company reflects acquisition and realization of financial assets and financial liabilities on the settlement date.

#### **Financial assets**

The classification of financial assets is based on:

- (i) the business model used by the Company to manage its financial assets; and
- (ii) the characteristics of the financial asset associated with the contractual cash flows.

The company classifies its financial assets into the following categories:

- (i) financial assets measured at amortized cost;
- (ii) financial assets measured at fair value through other comprehensive income;
- (iii) financial assets that are measured at fair value through profit or loss.

Financial assets are classified as current assets, except for financial assets with a maturity of more than 12 months after the reporting date. Such financial assets are classified as non-current assets.

IFRS 9 requires that the Company recognises an allowance for expected credit losses on all financial assets that are not measured at fair value through profit/loss, as well as loan commitments and financial guarantee agreements. Such impairment allowance is based on the values of the expected credit loss associated with the probability of default over the next 12 months, unless there has been a significant increase in credit risk since initial recognition.

The Company applies a simplified approach in calculation of expected credit losses for the entire life of trade and other receivables, as permitted under IFRS 9. The Company reflects expected credit losses and changes in expected credit losses at each reporting date to reflect changes in credit risk after initial recognition.

To estimate the expected credit losses, trade and other receivables are grouped on the basis of the general characteristics of credit risk and the life of the debt.

When assessing whether the credit risk of a financial asset has increased since initial recognition and when assessing expected credit risk, the Company uses information that is up to date and accessible without unreasonable expense or effort. Such information includes both quantitative and qualitative information and analysis based on the Company's historical experience and grounded credit assessment.

The Company considers a financial asset insolvent when it is unlikely that the borrower will pay its full credit liabilities to the Company.

#### *Effective interest rate method*

The effective interest method is used to calculate the amortized cost of a financial asset and to allocate interest income over the relevant period. An effective interest rate is a rate that discounts the expected future cash flows over the expected life of the financial asset or, if applicable, the shorter term.

#### *Debt instruments*

Subsequent measurement of debt instruments depends on the Company's asset management business model and cash flow characteristics of the asset. Most of the Company's debt instruments are represented by trade receivables and loan receivables and are measured at amortized cost using the effective interest rate, since these instruments are held within the framework of the business model aimed at obtaining the cash flows stipulated by the agreement, which are solely repayments of the principal amount and interest on the outstanding portion of the principal amount. The interest income of the given financial assets is included in the financial income using the effective interest method. Any gain or loss arising on derecognition is recognized directly in profit or loss and recognized in other profit or loss together with profit or loss from foreign exchange differences. Impairment losses are presented on a separate line in the income statement.

#### *Estimation of expected credit losses*

Expected Credit Losses (ECLs) is a weighted estimate of credit losses. Credit losses are estimated as the present value of all underpayments of cash (ie, the difference between the cash flows to the entity under the contract

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and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

#### *Credit impaired financial assets*

The Company determines whether the financial assets can be classified as impaired at each reporting date. A financial asset is considered to be a “credit-impaired” when one or more events that have an adverse effect on the expected future cash flows from the financial asset occurred.

#### *Recognition of impairment*

Impairment losses on trade and other receivables, including contractual assets, are recognized as part of other selling and distribution expenses in the statement of comprehensive income.

#### *Trade and other receivables*

Trade and other receivables are initially measured at fair value and subsequently measured at amortized cost using the effective interest method minus the estimated allowance for expected credit losses.

The Company applies a simplified approach to the estimation of the allowance for expected trade losses for trade receivables and contract assets arising from operations within the scope of IFRS 15 Revenue from Contracts with Customers.

In accordance with the simplified approach, the Company uses the following information to estimate the expected credit losses::

- (i) the number of days of non-repayment of receivables from the moment of occurrence to the reporting date;
- (ii) grouping of indebtedness by terms of origin and application a separate reserve rate for each group to expected credit losses (when calculating the reserve rate, payment deferrals in accordance with the terms of contracts with buyers are not taken into account);
- (iii) the financial condition of the debtor (in other words, whether the debtor is bankrupt, and whether the Company's management knows additional information about the receivables not being repaid in the future) to assess the need to calculate and recognize expected credit losses on the individual basis.

In order to recognize an allowance for expected credit losses, all financial assets of the Company are divided into groups. When assessing the allowance for expected credit losses, management also uses additional information that is subject to analysis.

The Company calculates an allowance for expected credit losses at each reporting date. The estimated amounts of the estimated allowance for expected credit losses are recognized in the statement of financial position as assets and accrual expenses in the statement of comprehensive income as part of other selling and distribution expenses.

When trade receivables become irrecoverable, they are written off against the estimated allowance for expected credit losses. Repayment of amounts previously written off is credited to profit or loss.

#### **Financial liabilities and equity instruments issued by the Company**

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangement.

#### *Equity instruments*

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

#### *Financial liabilities*

All financial liabilities are subsequently measured at fair value using the effective interest method or at fair value through profit or loss. Financial liabilities are classified at fair value through profit or loss when the financial liability is:

- (i) the buyer's contingent consideration for acquiring a business,

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- (ii) held for trading or
- (iii) it is classified as measured at fair value through profit or loss.

Otherwise, financial liabilities are subsequently measured at amortized cost using the effective interest method.

Regarding the measurement of financial liabilities that are classified at fair value through profit or loss, IFRS 9 requires that the amount of the change in the fair value of the financial liability related to changes in the credit risk of that liability be presented in other comprehensive income, unless Recognition of such changes in other comprehensive income will not lead to the occurrence or increase of discrepancies in profit or loss. Changes in fair value associated with changes in the credit risk of a financial liability are not subsequently reclassified to profit or loss.

#### *Trade payables and other payables*

Trade payables are accrued when the counterparty has fulfilled its contractual obligations and is initially measured at fair value and subsequently at amortized cost using the effective interest method.

#### *Financial guarantee contract liabilities*

A financial guarantee agreement is an agreement obliging the issuer to make specific payments to compensate for losses incurred by the holder of the guarantee due to the fact that the relevant debtor does not make timely payments under the terms of a debt instrument.

Liabilities under financial guarantee contracts entered into by the Company are initially measured at fair value, and subsequently, are recognized at the higher of:

- the value of liabilities determined in accordance with IFRS 9 “Financial Instruments”;
- the amount initially recognized less, if necessary, the amount of accumulated depreciation recognized in accordance with the revenue recognition policy.

#### *Derecognition of financial liabilities*

The Company derecognizes financial liabilities only if they are repaid, canceled or expired. The difference between the carrying amount of a financial liability that is derecognised and the consideration paid or receivable is recognized in profit or loss.

## **(f) Lease**

### **Identification of a lease**

At the time of the contract, the Company determines whether the contract as a whole or its individual components is a lease. The contract as a whole, or its individual components, is a lease if the contract conveys the right to control the use of an identified asset (the underlying asset) for a period of time in exchange for consideration.

For the contract to contain a lease, the following three conditions must be satisfied simultaneously:

- the contract contains an identified asset;
- the contract transfers to the Company the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use;
- the contract transfers the right to direct the use of the identified asset to the Company.

The Company leases office and warehouses facilities.

Lease is recognized, measured and presented in accordance with IFRS 16.

#### *Right-of-use assets*

The Company recognises right-of-use assets at the commencement date (i.e. the date on which the underlying asset will be available for use). At the commencement date, right-of-use assets are measured at cost. The cost of right-of-use assets includes the amount of recognised lease liabilities, initial direct costs incurred, lease payments made at or before the commencement date, less any lease incentives received, restoration costs.

After the commencement date, right-of-use assets are measured at cost, less any accumulated depreciation and

## YC DISTRIBUTION LLC

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impairment losses, and adjusted for any remeasurements of lease liabilities.

Right-of-use assets are typically depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term. If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the Company is reasonably certain that it will exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset.

Right-of-use assets are also tested for impairment.

#### *Lease liabilities*

At the commencement date, the Company recognises the lease liabilities measured at the present value of the remaining lease payments to be made within the lease term. Lease payments include fixed payments, less any lease incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be payable by the lessee under residual value guarantees. Lease payments also include the exercise price of a purchase option if the Company is reasonably certain to exercise that option and the payments of penalties for terminating the lease if the lease term reflects the lessee exercising an option to terminate the lease.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period upon occurrence of an event or condition triggering the payment.

In computing the present value of lease payments, the Company applies an interest rate implicit in the lease. If such a rate cannot be readily determined, which is typically applicable to the Company's lease, then the Company applies an incremental borrowing rate – the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment, according to statistical reports of NBU.

The lease term determined by the Company includes:

- a non-cancellable period of a lease;
- periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option;
- and
- periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option.

After the commencement date, the amount of lease liabilities is increased to reflect the interest rate on lease liabilities (using the effective interest method) and decreased to reflect the lease payments made. Furthermore, the carrying amount of lease liabilities is reviewed if the lease term, lease payments or a purchase estimate of the underlying asset is modified.

The Company remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of an extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- Lease payments changed as a result of a change in an index or a rate, or a market rate, or a revision of in-substance fixed lease payments, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the change in lease payments resulted from a change in the floating interest rate, in which case the revised discount rate is used);
- The lease term has changed and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The lease liability is presented as a separate lines in the statement of financial position in terms of liquidity "Current portion of long-term lease liabilities" and "Long-term lease liabilities", respectively. The Company recognises interest on lease liabilities as part of finance costs in the statement of comprehensive income. In the statement of cash flows, the Company separates the total amount of cash paid into a principal portion of the lease liability (presented within financing activities) and interest portion of the lease liability (presented within operating activities).

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#### *Company as a lessor*

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

#### **(g) Inventories**

Inventories primarily comprise the goods for resale. Inventories are valued at lower of cost and net realizable value. Costs incurred in bringing each product to its present location and condition are included in the cost of inventories. Certain supplier bonuses that are not reimbursement of specific, incremental and identifiable costs to promote a supplier's products are also excluded from the cost of inventory.

The cost of inventories is assigned by using the FIFO cost formula.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to sell. Allowances are recorded against slow-moving and obsolete inventories.

#### **(h) Cash and cash equivalents**

Cash and comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of the components identified above.

#### **(i) Short-term deposits**

Short-term deposits include cash in banks with original maturities from three months to one year.

#### **(j) Supplier incentives**

The Company receives various types of incentives from vendors (credit notes) in the form of volume allowances and other forms of payments related to the volume of purchases, sales increases, early settlements of amounts due, compensation for marketing campaigns and programs, etc. Typically, these suppliers' incentives cannot be allocated to an individual item of purchased goods. Credit notes relating to the volume of purchases and timely settlements are accounted for in profit or loss as a reduction in cost of sales, as well as a reduction in the cost of related goods for resale unless these were sold as at the end of the reporting period.

Credit notes related to marketing costs and the promotion of the goods are recognized in profit or loss as a reduction in marketing costs or in other income, depending on the terms and conditions of the respective programs.

#### **(k) Retirement and other benefit obligations**

In accordance with the Ukrainian legislation, the Company withholds contributions to the State Pension Fund from the salaries and wages of its employees.

The pension system envisages calculation of the current employer's contributions as a respective percentage of the current payroll amount. These expenses are accounted for during the period when respective salaries and wages are accrued.

Except for the above, the Company has no other obligations relating to the post-employment benefits or any other compensation to be accrued.

#### **(l) Revenue recognition**

The Company recognizes revenue as the goods and services are transferred to customers in an amount corresponding to the consideration to which it is expected to be entitled in exchange for goods and services. The Company recognizes revenue when or as the contractor's obligation is fulfilled, i.e. when control over the goods or services constituting the contractor's obligation passes to the buyer. The estimated cost of returning

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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the goods to customers, the amount of compensation due to the buyer (discounts, incentive conditions, premiums for the result, etc.) and VAT are deducted from the proceeds. Revenues from the sale of goods to enterprises within the Company are not considered for the purposes of the financial statements.

The Company's revenue recognition model is based on the following steps:

- Step 1: Identify the contract (s) with the buyer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize the revenue when (or as) the entry satisfies performance obligation.

The Company recognizes sales revenue at the moment of transfer of control over the goods, i.e. when the goods are delivered to the buyer, the buyer has the rights in relation to the goods and when there is no unfulfilled obligation that may affect the acceptance of the goods by the buyer. Delivery is deemed to have been made when the goods have been delivered to a certain place, the risks of wear and loss passed to the buyer, and the buyer accepted the goods in accordance with the contract, the validity of the acceptance provisions has expired or the Company has objective evidence that all acceptance criteria have been met.

#### *i. Agent commission*

Revenues from the sale of goods or services by the Company as an intermediary are recorded as a part of revenue in the net amount. The Company receives appropriate remuneration for the sale of goods, contracts for the provision of mobile services and other services.

#### *ii. Interest income*

Interest income from a financial asset is recognized when it is probable that the Company will obtain economic benefits and the amount of income can be reliably determined. Interest income is recognized as it accrues using the effective interest method and the value of the financial asset. Interest income is included in the financial income of the statement of comprehensive.

#### *iii. Customer rewards*

The Company offers incentives to customers, which include wholesale discounts, retail discounts and promotions, which are recorded as a reduction of revenue in net sales in the statements of comprehensive income. The consideration recognized is the amount specified in the contract with the customer, less estimated incentives that the Company reasonably expects to pay.

### **(m) Borrowing costs**

The borrowing costs are capitalized by the Company as part of the cost of the asset when the costs are directly attributable to the acquisition, construction of a qualifying asset, including construction in progress. Other borrowing costs are expensed as incurred.

### **(n) Taxation**

#### *Income tax*

Income tax for the year includes current tax and deferred tax. Income tax is recognized in the profit or loss except when income tax expense relates to items recognized directly in equity; in which case the tax is also recognized directly in equity.

Current tax expense is calculated by each entity on the pre-tax income determined in accordance with the tax law of the country, in which the entity is incorporated, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting and taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or prevailing at the reporting date. Deferred tax assets are recognized only to the

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extent that it is probable that future taxable profits will be available, against which these assets can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The amount of a deferred tax asset is reduced if it is unlikely that the related benefits from its sale will be realized.

Deferred tax is not recognized in the following instances:

- investments in subsidiaries where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future;
- if it arises from the initial recognition of an asset or liability that at the time of the transaction, affects neither accounting profit nor taxable profit or loss;
- for the amount of initially recognized goodwill.

#### *Value added tax*

Value added tax (“VAT”) related to sales is payable to tax authorities on the earliest of (a) cash received from customers in advance or (b) transfer of the goods or rendering services to customers. Input VAT is generally recoverable against sales VAT upon receipt of the VAT invoice.

VAT related to sales and purchases that have not been settled at the balance sheet date is recognized in the balance sheet on a gross basis and disclosed separately as an asset and liability. Where a provision has been made for the impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

At each balance sheet date, the Company reviews outstanding balance of input VAT for recoverability and creates impairment provision for the amounts which recoverability is doubtful.

#### **(o) Related parties**

For the purpose of these financial statements, parties are considered to be related if one of them is able to control or exercise a material influence on operating and financial decision-making by the other party as defined in IAS 24 “Related Party Disclosures”. In considering each instance of the relations that could be relations between related parties attention is directed to the substance of the relationship and not merely the legal form. Related parties include the Company's participants, key managerial personnel and companies under joint control.

#### **(p) Contingencies**

Contingent liabilities are not reflected in financial statements but are subject to disclosure. Contingent liabilities are neither reflected nor disclosed in the instances when an outflow of resources, which are of economic benefit, is unlikely. Contingent assets are not reflected in financial statements but are subject to disclosure in the instances when there is a sufficient probability of obtaining economic benefit.

#### **4. Use of judgments and assumptions**

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Most important areas where estimates and assumptions must be used are:

- expected credit losses;
- allowance of doubtful debts for non-monetary assets;
- allowance for obsolete and illiquid inventories;
- useful lives of fixed assets;

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- taxation;
- recoverability of tax assets;
- supplier incentives;
- determining the lease term of contracts with renewal and termination options – Company as lessee;
- estimating the incremental borrowing rate.

(i) **Expected credit losses** - the Company accrues allowances for expected credit losses to cover potential losses arising from the inability of customers to make required payments (Note 8).

When assessing the adequacy of an allowance for expected credit losses, management considers current economic conditions, the ageing of accounts receivable balances, the Company's write-off experience, customer creditworthiness and changes in payment terms.

Changes in the economy, industry, or the financial condition of individual customers may require adjustments to the allowance for expected credit losses recorded in the financial statements.

(ii) **Allowance of doubtful debts for non-monetary assets.** The Company accrues an allowance for doubtful debts in respect of non-monetary assets (advances) based on an individual assessment of assets that may be subject to impairment.

(iii) **Allowance for obsolete and illiquid inventories** - management reviews the inventory balances to determine if inventories can be sold at amounts greater than or equal to their book values plus costs to sell. Such reviews include identification of illiquid inventories and obsolete inventories. The Company creates an allowance for obsolete and illiquid inventories to ensure that they are stated at potential net realizable value. Assessment of potential net realizable value of goods is performed based on the most reliable able at the moment of performing such an assessment. The evaluation process includes historical performance of the inventory, current operational plans for the inventory as well as industry and customer specific trends.

At that the fluctuations of the goods' price or cost directly related with the events occurring after the reporting period are taken into account - to the extent such events support the situation existing as of the reporting period end (Note 7).

(iv) **Useful lives of fixed assets** - The Company assesses the remaining useful lives of items of property and equipment and intangible assets at least at each financial year-end and if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. These estimates may have a significant effect on the carrying amount of property and equipment or intangible assets and depreciation reflected in the statement of comprehensive income.

(v) **Taxation** - The Company is subject to income tax and other taxes. Determining the provision for income tax and other taxes, largely judgment is due to the complexity of the tax legislation of Ukraine. There are many transactions and calculations for which the ultimate tax determination cannot be made with reasonable certainty. The Company recognizes liabilities for taxes that may arise as a result of the tax audit issues based on estimates of whether additional tax liabilities. When the final tax outcome of these matters is different from the amounts initially recorded, such differences will influence the amount of tax and tax provisions in the period in which it will be determined.

(vi) **Recoverability of tax assets.** Deferred tax assets are recognized for all unused tax losses to the extent that it is significant probability that taxable profit will be received against which can be offset unused tax losses.

(vii) **Supplier incentives.** The Company receives various types of incentives from suppliers in the form of cash payments or various rewards, mainly provided for the achievement of a certain volume of purchases by the Company, as well as in order to compensate for the reduction in trade margins, advertising costs and maintaining sales profitability. According to the management's conclusion, almost all suppliers' incentives should be accounted for as a decrease in the cost of procurement of inventory and recognized in the statement of profit or loss and other comprehensive income at the time of sale of the goods.

(viii) **Determining the lease term of contracts with renewal and termination options – Company as lessee.** The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods



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covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset, a change in business strategy).

(ix) **Estimating the incremental borrowing rate.** If the Company cannot readily determine the interest rate implicit in the lease, it uses incremental borrowing rate (IBR) to measure lease liabilities according to statistical reporting of National Bank of Ukraine. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

#### 5. Right-of-use assets and lease liabilities

The Company leases office and warehouse facilities. The lease term for rented buildings is usually from 1 to 5 years.

##### a. Recognized right-of-use assets

The following is the carrying amounts of right-of-use assets and their movement for the period:

	2023	2022
<b>Historical cost</b>		
<b>As at 1 January</b>	<b>176</b>	<b>304</b>
Additions	28	11
Modification of right-of-use assets	93	(50)
Disposal of right-of-use assets	(71)	(19)
Currency translation difference	(8)	(70)
<b>As at 31 December</b>	<b>218</b>	<b>176</b>
<b>Accumulated depreciation</b>		
<b>As at 1 January</b>	<b>(130)</b>	<b>(99)</b>
Charge for the year	(104)	(82)
Disposal of right-of-use assets	71	19
Currency translation difference	5	32
<b>As at 31 December</b>	<b>(158)</b>	<b>(130)</b>
<b>Carrying amount</b>		
<b>As at 1 January</b>	<b>46</b>	<b>205</b>
<b>As at 31 December</b>	<b>60</b>	<b>46</b>

##### b. Recognized lease liabilities

The following are the carrying amounts of lease liabilities and their movement for the period:

	2023	2022
<b>As at 1 January</b>	<b>52</b>	<b>199</b>
New lease agreements and their modifications	121	(37)
Accrued interest	15	10
Payments	(116)	(82)
Currency translation difference	(4)	(38)
<b>As at 31 December</b>	<b>68</b>	<b>52</b>
including:		
Short-term liabilities	54	34
Long-term liabilities	14	18

## YC DISTRIBUTION LLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

*(in thousand USD unless otherwise stated)*

Future minimum lease payments and present value of net minimum lease payments as at 31 December 2023 and 2022 were as follows:

	31 December 2023	31 December 2022
<b>Minimum lease payments</b>	<b>77</b>	<b>62</b>
Less than 1 year (current portion)	61	40
1 to 3 years	10	17
More than 3 years	6	5
Less future cost of financing	(9)	(10)
<b>Total present value of minimum lease payments</b>	<b>68</b>	<b>52</b>

#### *c. Recognized in profit and loss*

The following are amounts recognized in profit or loss:

	2023	2022
<b>Included in other income</b>		
Operating lease income	35	39
<b>Included in distribution costs</b>		
Depreciation expense of right-of-use assets	(104)	(82)
<b>Included in finance cost</b>		
Interest expense on lease liabilities	(15)	(10)
<b>Included in other expenses</b>		
Other expenses/(income)	(1)	(1)
<b>Total amount recognized in profit or loss</b>	<b>(85)</b>	<b>(54)</b>

The Company's total cash outflows on leases amounted to USD 116 thousand in 2023 (2022: USD 82 thousand), and are classified as cash flows from financial and operating activities in the statement of cash flows.

	2023	2022
Lease liabilities repayment (financing activities)	101	72
Interest expense on lease liabilities repayment (operating activities)	15	10
	<b>116</b>	<b>82</b>

## YC DISTRIBUTION LLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(in thousand USD unless otherwise stated)

#### 6. Property, plant and equipment

The historical cost and accumulated depreciation of property, plant and equipment as at 31 December 2023 and 2022 are presented in the following table:

	Communications and computer equipment	Engineering and storage equipment	Other fixed assets	Capital investments	Total
<b>Historical cost</b>					
<b>As at 1 January 2022</b>	<b>14</b>	<b>188</b>	<b>322</b>	<b>-</b>	<b>524</b>
Additions	-	-	86	4	90
Currency translation difference	(1)	(47)	(94)	-	(142)
<b>As at 31 December 2022</b>	<b>13</b>	<b>141</b>	<b>314</b>	<b>4</b>	<b>472</b>
Additions	-	-	156	-	156
Currency translation difference	-	(6)	(18)	(1)	(25)
<b>As at 31 December 2023</b>	<b>13</b>	<b>135</b>	<b>452</b>	<b>3</b>	<b>603</b>
<b>Accumulated depreciation</b>					
<b>As at 1 January 2022</b>	<b>(4)</b>	<b>(27)</b>	<b>(320)</b>	<b>-</b>	<b>(351)</b>
Charge for the year	(4)	(30)	(86)	-	(120)
Currency translation difference	-	10	92	-	102
<b>As at 31 December 2022</b>	<b>(8)</b>	<b>(47)</b>	<b>(314)</b>	<b>-</b>	<b>(369)</b>
Charge for the year	(4)	(26)	(155)	-	(185)
Currency translation difference	-	3	17	-	20
<b>As at 31 December 2023</b>	<b>(12)</b>	<b>(70)</b>	<b>(452)</b>	<b>-</b>	<b>(534)</b>
<b>Net carrying amount</b>					
<b>As at 1 January 2022</b>	<b>10</b>	<b>161</b>	<b>2</b>	<b>-</b>	<b>173</b>
<b>As at 31 December 2022</b>	<b>5</b>	<b>94</b>	<b>-</b>	<b>4</b>	<b>103</b>
<b>As at 31 December 2023</b>	<b>1</b>	<b>65</b>	<b>-</b>	<b>3</b>	<b>69</b>

As at 31 December 2023, property and equipment at the cost of USD 452 thousand (2022: USD 314 thousand) were fully depreciated but remained in use.

No property, plant and equipment was pledged as security under the Company's liabilities at 31 December 2023 and 2022.

#### 7. Inventories

As at 31 December, inventories consisted of the following:

	31 December 2023	31 December 2022
Goods for resale (1)	35,577	37,182
Goods in transit (1)	2,955	1,947
Other materials	1	7
	<b>38,533</b>	<b>39,136</b>

## YC DISTRIBUTION LLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(in thousand USD unless otherwise stated)

(1) Balance of the goods for resale and goods in transit as at 31 December mainly consisted of the following:

	31 December 2023	31 December 2022
Consumer electronics and photo devices	6,820	5,663
Small home appliances	5,882	4,652
Consumables and accessories	5,474	7,080
Laptops, computer devices	5,245	6,180
Major home appliances	4,636	3,701
Kitchenware	4,632	6,010
Cell phones	4,436	1,745
Others	1,407	4,098
	<b>38,532</b>	<b>39,129</b>

As at 31 December 2023, inventories were pledged as a collateral according to the loan agreement with:

- JSB “Sense Bank” (Ukraine). Inventories in the amount of USD 11.4 mln (31 December 2022 – USD 11.8 mln) were pledged as a collateral according to the loan agreement.
- JSB “UkrGasbank” (Ukraine). Inventories in the amount of USD 8.42 mln (31 December 2022 – USD 8.75 mln) were pledged as a collateral according to the loan agreement.

Inventory written off to «Cost of sales» for the year ended 31 December 2023, amounted to USD 205,043 thousand (2022: USD 183,246 thousand) (Note 15).

The Company did not reduce the carrying amount of inventories as at 31 December 2023 to its net realizable value. There were no inventories accounted for at fair value less costs to sell as at 31 December 2023 and 2022.

#### 8. Trade accounts receivable

As at 31 December, trade accounts receivable consisted of the following:

	31 December 2023	31 December 2022
Trade accounts receivable	29,959	22,800
Expected credit losses	(5,677)	(2,190)
	<b>24,282</b>	<b>20,610</b>

Trade accounts receivable are non-interest bearing amounts due from wholesales customers with usual maturity of 1 to 3 months from origination date.

As at 31 December 2023 the Company did not pledge trade accounts receivable as a collateral under factoring agreements (31 December 2022: Nil).

The Company does not withhold any collateral in respect of this trade receivable.

## YC DISTRIBUTION LLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(in thousand USD unless otherwise stated)

The following is information about the Company's exposure to credit risk on trade receivables as of 31 December 2022, based on payment discipline's historical information:

	From 0 to 30 days	From 31 to 90 days	From 91 to 180 days	From 181 to 365 days	More than 365 days	Total
<b>Carrying amount at 31 December 2023</b>	<b>15,882</b>	<b>7,580</b>	<b>821</b>	<b>-</b>	<b>-</b>	<b>24,282</b>
Nominal value	16,285	8,085	1,020	901	3,668	29,959
Expected credit losses allowance	(404)	(505)	(199)	(901)	(3,668)	(5,677)
Expected credit losses rate	2%	6%	21%	100%	100%	-
<b>Carrying amount at 31 December 2022</b>	<b>14,342</b>	<b>4,878</b>	<b>1,390</b>	<b>-</b>	<b>-</b>	<b>20,610</b>
Nominal value	14,412	5,439	2,390	403	156	22,800
Expected credit losses allowance	(70)	(561)	(1,000)	(403)	(156)	(2,190)
Expected credit losses rate	0.49%	10%	42%	100%	100%	-

The total amount of trade accounts receivable is reported as short-term in the statement of financial position based on contractual terms with customers of the Company.

Credit quality of trade accounts receivable was as follows:

	31 December 2023	31 December 2022
Fully recoverable	24,282	20,610
Impaired	5,677	2,190
	<b>29,959</b>	<b>22,800</b>

The carrying amount of trade accounts receivable approximates to their fair value.

#### Movements in expected credit losses

The movement in expected credit losses for trade and other receivables was as follows:

<b>At 31 December 2021</b>	<b>2,244</b>
Change in provision for expected credit losses and provision for doubtful debts for the period	881
Currency translation differences	(675)
<b>At 31 December 2022</b>	<b>2,450</b>
Change in provision for expected credit losses and provision for doubtful debts for the period	3,635
Currency translation differences	(226)
<b>At 31 December 2023</b>	<b>5,859</b>

## YC DISTRIBUTION LLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(in thousand USD unless otherwise stated)

#### 9. Prepayments and other accounts receivable

As at 31 December, prepayments and other accounts receivable consisted of the following:

	31 December 2023	31 December 2022
<b>Current financial assets</b>		
Other receivables (Note 19)	5,031	-
Interest accrued receivable	94	131
Expected credit losses	(11)	-
<b>Current non-financial assets</b>		
Prepayments to suppliers	4,729	4,023
VAT recoverable	1,026	2,678
Other taxes receivable	-	11
Prepayments to other debtors	1	-
Allowance for doubtful debts	(171)	(260)
	<b>10,699</b>	<b>6,583</b>

#### 10. Cash and cash equivalents

As at 31 December, cash and cash equivalents consisted of the following:

	31 December 2023	31 December 2022
<b>Cash and cash equivalents</b>		
Current accounts in bank, UAH	18,524	9,980
	<b>18,524</b>	<b>9,980</b>

As at 31 December 2023 and 2022, the Company didn't have short-term deposits.

As at 31 December 2023 and 2022, the Company did not have cash restricted in use.

As at 31 December 2023 and 2022, the Company did not use cash and cash equivalents as collateral.

The Company assesses the credit quality of floating cash and cash equivalents as high and believes that there is no considerable individual exposure to credit risk. Cash is placed within the financial institutions having minimal risk of default at the time of account opening. Maximum exposure to credit risk at the reporting date is the carrying amount of cash and cash equivalents.

#### 11. Loans and borrowings

As at 31 December the liability on loans and borrowings received consisted of:

	31 December 2023	31 December 2022
<b>Long-term loans and borrowings</b>		
Loans from non-banking institutions (1)	18,430	15,055
<b>Total long-term loans and borrowings</b>	<b>18,430</b>	<b>15,055</b>
<b>Short-term loans and borrowings</b>		
Loans and borrowings (2)	1,580	4,020
<b>Total short-term loans and borrowings</b>	<b>1,580</b>	<b>4,020</b>
<b>Total loans and borrowings</b>	<b>20,010</b>	<b>19,075</b>

## YC DISTRIBUTION LLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(in thousand USD unless otherwise stated)

#### 1) Long-term loans and borrowings:

As at 31 December 2023 long-term borrowings from non-financial lenders consisted of the following:

Liability on the loan agreement with SC «VICTORIANO». Liability on the loan as at 31 December 2023 amounted to USD 18,430 thousand. (31 December 2022 – USD 15,055 thousand). The loan is denominated in UAH. The maturity date is October 2025.

#### 2) Short-term borrowings from non-financial lenders:

As of 31 December 2023 short-term borrowings from banks included:

- Liability on the loan agreement with PJSC "UKRGAZBANK". Liability on the loan as at 31 December 2023 amounted to USD 1,580 thousand. The loan is denominated in UAH. The maturity date is May 2024.

As of 31 December 2022 short-term borrowings from banks included:

- Liability on the loan agreement with Raiffeisen Bank JSC. Liability on the loan as at 31 December 2022 amounted to USD 2,379 thousand. The loan is denominated in UAH. The maturity date is January 2023.
- Liability on the loan agreement with PJSC "UKRGAZBANK". Liability on the loan as at 31 December 2022 amounted to USD 1,641 thousand. The loan is denominated in UAH. The maturity date is May 2023.

#### 12. Other liabilities

As at 31 December, other liabilities consisted of the following:

	31 December 2023	31 December 2022
<b><i>Current financial liabilities</i></b>		
Financial aid received	19,541	3,648
VAT and other taxes payable	1,493	93
Outstanding interest accrued	903	293
Wages and salaries payable	257	192
Current accruals	248	143
<b><i>Current non-financial liabilities</i></b>		
Advances from customers	345	926
Other current liabilities	30	19
	<b>22,817</b>	<b>5,314</b>

#### 13. Statutory capital

##### *Statutory capital*

As at 31 December 2023 the Company's statutory capital amounted to USD 17,902 thousand (31 December 2022: USD 17,902 thousand). As at 31 December 2023 and 31 December 2022, the statutory capital of the Company is fully paid.

##### *Dividends*

For the year ended 31 December 2023 and 31 December 2022 no dividends were declared and no dividends were paid, which were declared earlier.

The Company is not a subject to any externally imposed capital requirements.

## YC DISTRIBUTION LLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(in thousand USD unless otherwise stated)

#### 14. Revenue

Revenue per major product groups consisted of the following:

	2023	2022
Laptops, computer devices	50,991	39,601
Consumer electronics and photo devices	41,230	39,054
Major home appliances	36,089	32,401
Cell phones	35,763	37,564
Consumables and accessories	27,196	20,185
Kitchenware	18,959	12,014
Small home appliances	17,634	25,864
Others	7,796	7,544
Rendering of services	519	519
	<b>236,177</b>	<b>214,746</b>

#### 15. Cost of sales

Cost of sales per major product groups consisted of the following:

	2023	2022
Laptops, computer devices	46,402	35,563
Consumer electronics and photo devices	36,522	35,038
Major home appliances	32,794	28,556
Cell phones	30,610	34,059
Consumables and accessories	22,494	15,801
Small home appliances	15,019	20,784
Kitchenware	14,976	8,547
Others	6,226	4,898
	<b>205,043</b>	<b>183,246</b>

#### 16. Selling and distribution costs

Selling and distribution costs consisted of the following:

	2023	2022
Costs relating to the right to use trademarks and signs	13,638	6,328
Salaries and related charges	3,081	2,791
Marketing services	1,058	1,741
Storage expenses	1,669	1,348
Delivery services	1,152	1,340
Depreciation and amortization	171	115
Depreciation expense of right-of-use assets	104	82
Other expenses	62	133
	<b>20,935</b>	<b>13,878</b>

#### 17. Administrative expenses

Administrative expenses consisted of the following:

	2023	2022
Salaries and related charges	682	534
Bank service fees	220	208
Utilities	40	96
Audit and legal fees	37	484
Depreciation and amortization	14	5
Other expenses	136	57
	<b>1,129</b>	<b>1,384</b>



## YC DISTRIBUTION LLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(in thousand USD unless otherwise stated)

#### 18. Other income

Other income consisted of the following:

	2023	2022
Income from donated assets	103	168
Income from operating leases of assets	35	39
Fines and penalties received	25	4
Other income	3	
	<b>169</b>	<b>211</b>

#### 19. Other expenses

Other expenses consisted of the following:

	2023	2022
Expected credit losses (Note 8)	3,635	881
Operational foreign exchange loss	1,563	3,719
Loss on sale of debt, net (1)	1,070	4,598
Shortages and losses from deterioration of values	86	-
Fines and penalties paid	74	99
Charity costs	62	68
VAT impaired	55	36
The financial results of changes in lease agreements	-	1
Other expenses	38	9
	<b>6,583</b>	<b>9,411</b>

(1) Due to the full-scale military invasion and the resulting negative impact on the country's economy, including the deterioration of payments, the Company's management conducted a full inventory and revaluation of receivables. The receivables that were deemed unlikely to be collected after negotiations with counterparties were sold to factoring companies. The nominal value of such receivables amounted to USD 6,062 thousand, the selling price amounted to USD 5,031 thousand. (2022: The nominal value of such receivables amounted to USD 7,794 thousand, the selling price amounted to USD 779 thousand).

#### 20. Finance income/Finance costs

Finance income and costs consisted of the following:

	2023	2022
<b>Finance income</b>		
Interest received	2,233	576
Other finance income	-	343
	<b>2,233</b>	<b>919</b>
<b>Finance costs</b>		
Interest on loans and borrowings	(3,915)	(2,165)
Non-current receivables discount effect	-	(857)
Commission on bank guarantees and letter of credit (1)	(351)	(225)
Interest on factoring operations	-	(152)
Interest expense on lease liabilities	(15)	(10)
Other finance costs	(5)	(33)
	<b>(4,286)</b>	<b>(3,442)</b>

## YC DISTRIBUTION LLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

*(in thousand USD unless otherwise stated)*

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(1) In order to receive additional delays in payment from certain suppliers, the Company received bank guarantees and letters of credit. The Company incurred financial expenses for issued guarantees and letters of credit by:

- PJSC Sense Bank. As at 31 December 2023 the guarantees issued amounted to USD 4 mln. (31 December 2022 - USD 4,32 mln). The guarantees of PJSC Sense Bank were partially issued against goods in circulation of a third party. One of the related parties provided guarantee for YC DISTRIBUTION LLC for the amount of the Company's liabilities;

- YC DISTRIBUTION LLC is a party of the General Loan Agreement with PJSC Raiffeisen Bank. As at 31 December 2023, the guarantees and standby letters of credit issued amounted to USD 6 million (31 December 2022 - USD 5,1 million). Additionally, third parties pledged their property with a collateral value of USD 14,2 million (31 December 2022 - USD 12,2 mln) and one of the related parties provided guarantee for YC DISTRIBUTION LLC for the amount of the Company's liabilities;

- YC DISTRIBUTION LLC is a party of the General Loan Agreement with JSB "UkrGasbank" (Ukraine). As at 31 December 2023 the guarantees and standby letters of credit issued amounted to USD 10 mln. (31 December 2022 - USD 9 mln). Guarantees had been obtained under the security of goods (Note 7). Additionally, one of the related parties pledged their property with a collateral value of USD 7,6 million. Additionally, one of the related parties provided guarantee for YC DISTRIBUTION LLC for the amount of the Company's liabilities;

- YC DISTRIBUTION LLC is a party of the General Loan Agreement with JSC CREDIT AGRICOLE BANK. As at 31 December 2023 the standby letters of credit issued amounted to USD 0,67 mln. (31 December 2022 - USD 0,5 mln). Additionally, several third parties pledged their property with a collateral value of USD 9,16 million.

- YC DISTRIBUTION LLC is a party of the General Loan Agreement with AT TASKOMBANK. As at 31 December 2023 the guarantees and letters of credit issued amounted to USD 0 mln. (31 December 2022 - USD 0 mln). One of the related parties provided guarantee for YC DISTRIBUTION LLC for the amount of the Company's liabilities;

- YC DISTRIBUTION LLC is a party of the General Loan Agreement with AT BANK ALLIANCE. As at 31 December 2023 the guarantees and letters of credit issued amounted to USD 0.08 mln. (31 December 2022 - USD 0 mln). One of the related parties provided guarantee for YC DISTRIBUTION LLC for the amount of the Company's liabilities;

## YC DISTRIBUTION LLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(in thousand USD unless otherwise stated)

#### Reconciliation of liabilities arising from financing activities

The table below shows the changes in liabilities as a result of financial activities, including changes due to cash flows, and changes that are not related to cash flows.

	1 January 2023	Cash flows from financing activities for the year ended 31 December 2023	Non-monetary changes for year ended 31 December 2023					31 December 2023	
			Lease liabilities charge	Decrease of factoring financing liabilities	Adjustment for the letter of credit used	Non-repayable financial aid	Other changes		Currency translation difference
Loans and borrowings	19,075	1,708						(773)	20,010
Financial aid received	3,648	16,702				(57)		(752)	19,541
Lease liabilities	52	(101)	121					(4)	68

	1 January 2022	Cash flows from financing activities for the year ended 31 December 2022	Non-monetary changes for year ended 31 December 2022					31 December 2022	
			Lease liabilities charge	Decrease of factoring financing liabilities	Adjustment for the letter of credit used	Non-repayable financial aid	Other changes		Currency translation difference
Loans and borrowings	9,640	13,944	-	(1,813)	1,295	-	-	(3,991)	19,075
Financial aid received	-	4,219	-	-	-	(97)	-	(474)	3,648
Lease liabilities	199	(72)	(37)	-	-	-	-	(38)	52

## YC DISTRIBUTION LLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(in thousand USD unless otherwise stated)

#### 21. Income tax expenses

For the year ended 31 December 2023 and 2022, the Company was corporate profit taxpayer at respective rate of 18%.

Amounts of income tax expense were reported in the statement of comprehensive income:

	2023	2022
Current income tax	767	977
Changes in deferred tax	(654)	(159)
<b>Income tax expenses</b>	<b>113</b>	<b>818</b>

Reconciliation between the expected amount of deferred tax, calculated at the current tax rate, and actual income tax expense is as follows:

	2023	2022
Profit before income tax	603	4,515
Applicable corporate income tax rate (18%)	18%	18%
<b>Theoretical tax charge at applicable corporate income tax rates</b>	<b>109</b>	<b>813</b>
Tax effect of differences which are not included for taxation purposes	4	5
<b>Income tax expenses</b>	<b>113</b>	<b>818</b>

The composition of the deferred tax assets and deferred tax liabilities was the following:

	31 December 2023	31 December 2022
<b>Deferred tax assets</b>		
Expected credit losses	1,055	441
	<b>1,055</b>	<b>441</b>
<b>Reported in the Statement of financial position as:</b>		
Deferred tax assets	<b>1,055</b>	<b>441</b>

The movement in the net deferred tax assets for the reporting period was as follows:

	2023	2022
<b>Opening balance</b>	<b>441</b>	<b>403</b>
Movement in temporary differences reported in profit or loss	654	159
Currency translation differences	(40)	(121)
<b>Closing balance</b>	<b>1,055</b>	<b>441</b>

## YC DISTRIBUTION LLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(in thousand USD unless otherwise stated)

#### 22. Related parties

For the purposes of these financial statements the parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making managerial decisions, as defined in IAS 24 Related Party. In order to determine each possible related party transaction, attention is directed to the substance of the relationship and not merely the legal form.

##### *Transactions with entities under common control with the Company*

For the year, ended 31 December 2023 and 2022 because of transactions with related parties under common control the Company received following income:

	2023	2022
Revenue	23,087	30,452
Other income	-	392
Finance income	-	343
	<b>23,087</b>	<b>31,187</b>

For the year ended 31 December 2023 and 2022 as a result of transactions with related parties under common control the Company incurred following expenses:

	2023	2022
Cost of sales	21,949	29,734
Selling and distribution costs	14,312	7,781
Administrative expenses	71	77
Other expenses	88	132
Finance costs	3,884	2,646
	<b>40,304</b>	<b>40,370</b>

The amount of purchases goods by the Company from related parties in 2023 amounted to USD 72 thousand (2022 - USD 6,544 thousand).

As at 31 December the outstanding balances with related parties under common control with the Company can be presented as follows:

	31 December 2023	31 December 2022
Trade accounts receivables	2,138	424
<b>Total current assets</b>	<b>2,138</b>	<b>424</b>
Long-term loans and borrowings	18,430	15,055
Long-term lease liabilities	-	2
<b>Total long-term liabilities</b>	<b>18,430</b>	<b>15,057</b>
Current portion of liabilities under lease agreements	16	22
Trade accounts payables	6,139	8,610
Financial aid received	19,541	3,199
Interest payable	887	293
Other current liabilities	5	100
<b>Total current liabilities</b>	<b>26,588</b>	<b>12,224</b>

There were no securities provided for outstanding balances with related parties under common control with the Company. It is expected that all the assets and liabilities will be settled in cash.

## YC DISTRIBUTION LLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

*(in thousand USD unless otherwise stated)*

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#### *Transactions with key management personnel*

The amount of remuneration of key management personnel of the Company for the year ended 31 December 2023, amounted to USD 25 thousand (2022 – USD 21 thousand) and was included in administrative expenses. Short-term remuneration was effected in the form of wages and social security contributions. There were no other types of compensation.

### **23. Commitments and contingencies**

#### *Operating Environment*

On 21 February 2022 Russian President has announced the recognising the independence of two regions of Ukraine - the self-proclaimed Donetsk People's Republic and Luhansk People's Republic and ordered troops into two rebel-held eastern regions. Several countries have announced penalising Russia with sanctions in response. On 23 February 2022 the National Security and Defense Council of Ukraine called for a state of emergency. On 24 February 2022 Russian President has announced the "special military operation" into Ukraine, which in fact meant the beginning of the Russian Federation's premeditated, unprovoked war on Ukraine. Russian forces have launched a major military assault on Ukraine immediately, with reports of missile strikes and explosions in major cities of Ukraine. President of Ukraine Volodymyr Zelenskyy signed Decree № 64/2022 "On the imposition of martial law in Ukraine" which was approved by Verkhovna Rada. Currently, the Ukrainian military continue resistance to Russian forces. At the same time, the Western world together with traditional neutral countries (Japan, Switzerland, etc.) are targeting Russia's economy, financial institutions and individuals, imposing sanctions against Russia over its invasion of Ukraine. Moreover, the number of international companies are suspending their activities in Russia.

The final resolution and the effects of these events are difficult to predict, but they may have further severe effects on the Ukrainian economy and the Company's/Group's business. Management continues to make efforts to identify and mitigate impacts to the Company/Group, however, there are factors beyond its knowledge or control, including the duration and severity of warfare, as well as further governmental and diplomacy actions taken.

The Company's management believes that it is taking all necessary measures to maintain the economic stability of the Company in these conditions.

#### *Tax system*

At present, Ukraine has a tax code, which regulates various kinds of taxes and fees, which are held by both state and local authorities. The norms of the Tax Code that regulate the calculation and payment of taxes and duties change frequently, their provisions are not always fully worked out. Also, there are not enough case law to solve such problems. Often there are different points of view regarding the interpretation of the rule of law by various bodies, which raises the overall uncertainty and creates occasions for conflict. The effective tax legislation of Ukraine provides the possibility of different interpretations which are applied to the transactions and activity of the Company. In this regard, tax positions, determined by the management, and official documentation, supporting tax positions, can be successfully challenged by the relevant authorities. Tax inspections can cover three calendar operating years preceding the year of review. In certain circumstances, inspections may be applied to earlier periods. Some transactions and documents can be treated by tax authorities contrary to the way they are interpreted by the Company, therefore additional charges on tax may arise.

The Company periodically reviews the risk of additional tax liabilities, and reflects them in his statements on an accrual basis.

#### *Legal commitments*

In the normal course of business, the Company is dealing with lawsuits and claims. Management believes that the maximum liability for the obligations that may result from claims and litigation in the event will not have a material effect on its financial condition or results of future operations of the Company.

#### *Contractual obligations for the acquisition of fixed assets and intangible assets*

As at 31 December 2023 and 2022 the Company had not contractual commitments for the acquisition of fixed assets and intangible assets.

## YC DISTRIBUTION LLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(in thousand USD unless otherwise stated)

#### *Commitment to comply with the covenants under the credit agreements*

As at 31 December 2023 and 2022 the Company complied with the covenants under the loan agreements.

#### *Guarantees given*

YC DISTRIBUTION LLC acted as a guarantor to PJSC Sense Bank for the fulfillment by related parties in full of their obligations to PJSC Sense Bank. As of December 31, 2023, there were no conditions and events, as provided for in the surety agreement, that would indicate the failure of related parties to fulfill their obligations to PJSC Sense Bank.

YC DISTRIBUTION LLC acted as a guarantor to PJSC Raiffeisen Bank for the fulfillment by related parties in full of their obligations to PJSC Raiffeisen Bank. As of December 31, 2023, there were no conditions and events, as provided for in the surety agreement, that would indicate the failure of the related parties to fulfill their obligations to PJSC Raiffeisen Bank.

YC DISTRIBUTION LLC acted as a guarantor to AT TASKOMBANK for the fulfillment by related parties of their obligations to AT TASKOMBANK in full. As of December 31, 2023, there were no conditions and events, as provided for in the surety agreement, that would indicate the failure of the related parties to fulfill their obligations to AT TASKOMBANK.

#### *Concentration risk*

The Company's business depends on a significant group of suppliers whose deliveries made up a substantial share of total purchases of the Company. Purchases from the Company's five main suppliers for the period ended 31 December 2023 amounted to 52.24% of the total purchases of the Company (at 31 December 2022 – 58.59%). To reduce this risk, the concentration of the Company, as a rule, extend the agreements with the main suppliers for at least the next year.

#### **24. Classification of financial instruments**

The carrying value of financial assets and liabilities with a maturity of less than one year is equal to their fair value. The fair value of long-term financial assets is determined by discounting the future cash flows at market rates available to the Company for similar financial instruments.

Below is a comparison of the fair value and historical cost financial instruments presented in the financial statements, grouped by categories of financial instruments:

	Fair value		Historical cost	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
<b><i>Financial assets</i></b>				
Assets carried at amortized value	47,920	30,721	47,920	30,721
<b><i>Financial liabilities</i></b>				
Liabilities carried at amortized value	74,244	57,115	74,175	57,063

As at 31 December 2023 and 2022 assets and liabilities of the Company were measured based on unobservable inputs – Level 3 inputs in fair value hierarchy.

## YC DISTRIBUTION LLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(in thousand USD unless otherwise stated)

#### 25. Risk management policy

Risk management plays an important role among the operations of the Company. The main risks inherent to the Company's operations include credit risk, interest rate risk, foreign currency risk and liquidity risk. A description of the Company's risks management policies is presented below.

##### *Credit risk*

The Company enters into transactions only with well-known and creditworthy parties. Under the policy of the Company, all the customers applying for trade operations under commercial credit terms are subject to undergo credit check procedures. In addition, such customer's trade receivables are under constant monitoring to ensure minimal Company's exposure to the default risk. The Company issues loans to those parties with which it has a long business relationship and which have already proved their creditworthiness. The maximum exposure to credit risk related to the trade accounts receivable equals the carrying value of the such trade accounts receivable (Note 8).

Credit risk exposure in respect of other financial assets of the Company including cash and cash equivalents is due to the possibility of counterparty's default, with a maximum exposure equal to the carrying amount of those instruments.

As at 31 December 2023 trade accounts receivable from related parties makes up 8,73% % of the total trade accounts receivable (at 31 December 2022 — 2.06%). More detailed information about operations with related parties is disclosed in Note 22.

##### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's liabilities with floating interest rates.

The Company manages its interest rate risk by having a balanced portfolio of interest free and variable rate loans and borrowings, short-term deposits with fixed rates and by signing new loan agreements with interest rates that are not significantly differ from market rates.

As at 31 December 2023 and 2022 the Company did not have financial instrument with floating interest rate.

##### *Foreign currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to the foreign currency risk associated with the Company's operating activities (in the case when purchases are made in a currency other than the functional currency of the Company), financial activities of the Company (in the case when funds are attracted in a currency other than the functional currency of the Company) and investment activities of the Company (in the case where the placement of funds is made in a currency other than the functional currency of the Company).

Comparative information on the concentration of foreign currency risk as at 31 December 2023 is as follows:

	UAH	USD	EUR	Total
Trade accounts receivable	24,204	1	77	24,282
Other receivables and assets	5,114	-	-	5,114
Cash and cash equivalents	18,524	-	-	18,524
<b>Total financial assets</b>	<b>47,842</b>	<b>1</b>	<b>77</b>	<b>47,920</b>
Loans and borrowings	(20,010)	-	-	(20,010)
Trade and other payables	(19,147)	(6,417)	(5,850)	(31,414)
Other liabilities	(22,820)	-	-	(22,820)
<b>Total financial liabilities</b>	<b>(61,977)</b>	<b>(6,417)</b>	<b>(5,850)</b>	<b>(74,244)</b>
<b>Net currency position</b>	<b>(14,135)</b>	<b>(6,416)</b>	<b>(5,773)</b>	<b>(26,324)</b>



## YC DISTRIBUTION LLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(in thousand USD unless otherwise stated)

Comparative information on the concentration of foreign currency risk as at 31 December 2022 is as follows:

	UAH	USD	EUR	Total
Trade accounts receivable	20,511	-	99	20,610
Other receivables and assets	131	-	-	131
Cash and cash equivalents	9,980	-	-	9,980
<b>Total financial assets</b>	<b>30,622</b>		<b>99</b>	<b>30,721</b>
Loans and borrowings	(19,075)	-	-	(19,075)
Trade and other payables	(20,623)	(7,710)	(4,674)	(33,007)
Other liabilities	(5,033)	-	-	(5,033)
<b>Total financial liabilities</b>	<b>(44,731)</b>	<b>(7,710)</b>	<b>(4,674)</b>	<b>(57,115)</b>
<b>Net currency position</b>	<b>(14,109)</b>	<b>(7,710)</b>	<b>(4,575)</b>	<b>(26,394)</b>

The following table presents a sensitivity analysis of the Company profit before income tax (due to possible changes in the fair value of monetary assets and liabilities) and equity of the Company for possible changes in foreign exchange rates with all other variables held constant:

	Year ended 31 December 2023		Year ended 31 December 2022	
	The change in the exchange rate, %	Effect on profit before taxation	The change in the exchange rate, %	Effect on profit before taxation
USD / UAH	0.97%/(0.97%)	(1,709)/1,709		
EUR / UAH	(1.53%)/(1.53%)	3,329/(3,329)		

Assumptions about changes in the base points in the analysis of sensitivity to changes in interest rates are based on the observed market situation in the contractual period.

#### Liquidity risk

Liquidity risk is the risk that the Company will fail to discharge all liabilities when they fall due. The liquidity management approach is to ensure, as far as practicable, the sufficient liquidity to meet obligations in the normal course of business, as well as upon the occurrence of stress circumstances, without incurring unacceptable losses or damage to business reputation of the Company.

Usually the Company makes sure that there is sufficient cash for incurring operating expenses for 60 days, including financial obligations servicing. At the same time, the Company assesses the potential impact of stress circumstances that are beyond accurate forecasting, such as natural disasters.

The Company carries out thorough liquidity management and supervision. The Company uses the cash flows budgeting and forecasting procedures ensuring the availability of necessary funds to meet its payment obligations.

The following table provides summary information on contractual undiscounted payments under financial liabilities of the Company per maturity of these liabilities as:

#### As at 31 December 2023

	Carrying amount	Contractual payments		
		Less than 1 year	More than 1 year	Total
Loans and borrowings	20,010	4,897	21,185	26,082
Trade and other payables	31,414	31,414	-	31,414
Other liabilities	22,820	22,806	14	22,820
<b>Total</b>	<b>74,244</b>	<b>59,117</b>	<b>21,199</b>	<b>80,316</b>

## YC DISTRIBUTION LLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(in thousand USD unless otherwise stated)

#### As at 31 December 2022

	Carrying amount	Contractual payments		
		<i>Less than 1 year</i>	<i>More than 1 year</i>	<i>Total</i>
Loans and borrowings	19,075	7,823	18,190	26,013
Trade and other payables	33,007	33,007	-	33,007
Other liabilities	5,033	5,015	18	5,033
<b>Total</b>	<b>57,115</b>	<b>45,845</b>	<b>18,208</b>	<b>64,053</b>

#### Capital management

The Company's management analyzes the capital structure based on evaluation of net debt to total equity and liabilities. As at 31 December, the net debt to equity and liabilities ratio was the following:

	31 December 2023	31 December 2022
Loans and borrowings (Note 11)	20,010	19,075
<i>less Cash and cash equivalents (Note 10)</i>	(18,524)	(9,980)
<b>Net debt</b>	<b>1,486</b>	<b>9,095</b>
Total equity	18,610	18,839
<b>Total equity and net debt</b>	<b>20,096</b>	<b>27,934</b>
<b>Gearing ratio</b>	<b>7%</b>	<b>33%</b>

During the reporting period, the Company did not revise its equity management policy.

#### 26. Subsequent events

As of the date of approval of these financial statements, the Company continues to operate, the Company's Management controls all of its operations, and the Company's key assets have not been affected. Office staff work remotely, other employees perform their duties in the areas of activity.

Debt service payments are not significant for YC DISTRIBUTION LLC and can be covered by current operating cash flow from the sale of goods.

Business information of YC DISTRIBUTION LLC is protected and properly stored. Backup repositories for all business data are located in different locations.

The Company's operations were somewhat affected by events related to the military invasion. The Company's management has prepared its financial plans based on known facts and events, however, there is significant uncertainty regarding the future development of the military invasion, its duration and short-term and long-term impact on YC DISTRIBUTION LLC, its personnel, operations, liquidity and assets.

#### Bank loans

The company received funds within the framework of existing credit agreements in the amount of USD 1.5 million.