Limited Liability Company «YC DISTRIBUTION»

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

For the year ended 31 December 2021

Contents

Financial statements:

YC DISTRIBUTION LLC

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021 and the results of its operations, cash flows and changes in equity for the year ended 31 December 2021 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 2021 were authorized for issue on 8 June 2022 on behalf of the management of the Company by:

Director ______________ Sergey Katana

Chief accountant ______________ Nataliia Firova

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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 2021;
- 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 2021 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. As stated in paragraph "Going concern" of Note 2 (d), these events or conditions, along with other matters as set forth in this paragraph, 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

Without qualifying our opinion, we draw attention to Note 22 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.

Additional information

Management is responsible for the additional information. Additional information consists of additional forms to the financial statements, presented on pages 43-49 (hereinafter referred as "Additional financial information" or "Forms"), which are provided for the purpose of presenting the financial position, financial performance and cash flows of the Company in the format approved by the Order "On Approval of the National Accounting Standard 1 (General Requirements for Financial Reporting) of the Ministry of Finance of Ukraine No. 73 of February 7, 2013, and is not a mandatory part financial statements prepared in accordance with IFRS. Our audit was conducted to express an opinion on the financial statements as a whole. For the additional financial information, we used the same audit procedures that are used in audit of the financial statements. In addition, certain additional procedures, including the comparison and reconciliation of such forms directly with the relevant accounting records and the financial statements themselves as well as other additional procedures in accordance with International Standards on Auditing, were used to the Additional financial information. In our opinion, such forms are presented fairly, in all material respects, in accordance with the financial statements as a whole.

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.

Partner

Baker Tilly Ukraine LLP

Oleksandr Pochkun

8 June 2022

Kyiv, Ukraine

YC DISTRIBUTION LLC

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021
(in thousand USD unless otherwise stated)

	Notes	31 December 2021	31 December 2020
Assets			
NON-CURRENT ASSETS			
Right-of-use assets	5a	205	18
Property and equipment	7	173	12
Non-current receivables	6	7,110	-
Deferred tax assets	21	403	35
		7,891	**65**
CURRENT ASSETS			
Inventories	8	16,177	394
Trade accounts receivable	9	42,908	6,227
Prepayments and other accounts receivable	10	5,169	1,793
Cash and cash equivalents	11	2,041	86
		66,295	**8,500**
Total assets		**74,186**	**8,565**
EQUITY			
Share capital	14	17,902	11
Unpaid capital		(204)	-
Retained earnings		2,490	1,428
Foreign currency translation reserve		472	(4)
Total equity		**20,660**	**1,435**
Liabilities			
NON-CURRENT LIABILITIES			
Long term lease liabilities	56	49	-
		49	**-**
CURRENT LIABILITIES			
Loans and borrowings	12	9,640	-
Current portion of long-term lease liabilities	56	150	16
Trade and other payables		42,599	6,909
Income tax liabilities		277	-
Other liabilities	13	811	205
		53,477	**7,130**
Total equity and liabilities		**74,186**	**8,565**

Financial statements of the Company for the year ended 31 December 2021 were authorized for issue on 8 June 2022 on behalf of the management of the Company by:

Director — Sergey Katana

Chief accountant — Nataliia Firova

Київ * Україна * Товариство з обмеженою відповідальністю "ЮК ДИСТРИБЬЮШН" Ідентифікаційний код 37502437

The accompanying notes are an integral part of these financial statements

YC DISTRIBUTION LLC

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousand USD unless otherwise stated)

	Notes	For the year ended 31 December 2021	For the year ended 31 December 2020
Revenue	15	188,037	8,196
Cost of sales	16	(176,308)	(8,195)
GROSS PROFIT		**11,729**	**1**
Selling and distribution costs	17	(4,152)	(107)
Administrative expenses	18	(472)	(18)
Other income		63	-
Other expenses	19	(2,331)	(80)
OPERATING PROFIT /(LOSS)		**4,837**	**(204)**
Finance income	20	27	-
Finance costs	20	(3,569)	-
PROFIT / (LOSS) BEFORE INCOME TAX		**1,295**	**(204)**
(Expenses)/ Income tax benefit	21	(233)	37
PROFIT / (LOSS) FOR THE YEAR		**1,062**	**(167)**
Other comprehensive income / (expenses)		-	-
Items that may be reclassified subsequently to profit or loss:			
Profit / (Loss) on translation to presentation currency		476	(301)
OTHER COMPREHENSIVE PROFIT/ (LOSS)		**476**	**(301)**
TOTAL COMPREHENSIVE INCOME / (LOSS)		**1,538**	**(468)**

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Director ____________________ Sergey Katana

Chief accountant ____________________ Nataliia Firova

ДИСТРИБЬЮШН" Ідентифікаційний код 37502437

The accompanying notes are an integral part of these financial statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021
(in thousand USD unless otherwise stated)

	Notes	For the year ended 31 December 2021	For the year ended 31 December 2020
Cash flows from operating activities:			
Cash receipts from customers		179,033	3,390
Bonuses and compensations received		3,084	-
Cash paid to employees and related taxes		(1,509)	(32)
Cash paid to suppliers		(204,249)	(3,280)
Other payments		(450)	(1)
Interest paid		(277)	(1)
Income tax paid		(322)	-
Net cash flows from / (used in) operating activities		**(24,690)**	**76**
Cash flows from investing activities:			
Purchase of property and equipment and intangible assets		(453)	-
Interest on deposits received		20	-
Dividends received	10	1,635	19
Net cash flows from / (used in) in investing activities		**1,202**	**19**
Cash flows from Financing activities:			
Receipt of loans and borrowings	20	21,781	-
Repayment of loans and borrowings	20	(14,294)	-
Increase of share capital		18,106	-
Repayment of lease liabilities	5	(105)	(4)
Net cash flows from / (used in) financing activities		**25,488**	**(4)**
Net increase in cash and cash equivalents		**2,000**	**91**
Net foreign exchange difference		(45)	(5)
Cash and cash equivalents at the beginning of the period	11	86	-
Cash and cash equivalents at the period end	11	**2,041**	**86**

Financial statements of the Company for the year ended 31 December 2021 were authorized for issue on 8 June 2022 on behalf of the management of the Company by:

Director Sergey Katana

Chief accountant Nataliia Firova

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021
(in thousand USD unless otherwise stated)

	Share capital	Unpaid capital	Retained earnings	Foreign currency translation reserve	Total equity
As at 1 January 2020	**11**	**-**	**1,595**	**297**	**1,903**
Loss for the year	-	-	(167)	-	(167)
Other comprehensive income	-	-	-	(301)	(301)
Total comprehensive income	**-**	**-**	**(167)**	**(301)**	**(468)**
As at 31 December 2020	**11**	**-**	**1,428**	**(4)**	**1,435**
Profit for the year	-	-	1,062	-	1,062
Other comprehensive income	-	-	-	476	476
Total comprehensive income	**-**	**-**	**1,062**	**476**	**1,538**
Increase of share capital (Note 14)	17,891	(204)	-	-	17,687
As at 31 December 2021	**17,902**	**(204)**	**2,490**	**472**	**20,660**

Financial statements of the Company for the year ended 31 December 2021 were authorized for issue on 8 June 2022 on behalf of the management of the Company by:

Director _______________ Sergey Katana

Chief accountant _______________ Nataliia Firova

(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 final benefeciaries

As at 31 December 2021 and 31 December 2020, registered shareholders of YC DISTRIBUTION LLC and their ownership shares are the following:

	31 December 2021	31 December 2020
VAMA GROUP LLC	40,685%	100,00%
GEN GROUP LLC	40,685%	-
SC «VICTORIANO»	10,050%	-
Other shareholders	8,580%	-
	100,00%	**100,00%**

As at 31 December 2021, the final beneficiaries 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. The Ukrainian economy is open, non-diversified and deemed to be of market status with certain characteristics of an emerging market, and it has critical dependence on world commodity prices and low liquidity in the international capital market.

The impact of Russian military aggression against Ukraine in some areas of Lugansk and Donetsk regions that started in spring 2014 is still in progress; parts of Lugansk and Donetsk regions remain under control of self-proclaimed republics and Ukrainian government is not able to enforce the law of Ukraine on those territories. In March 2014 the series of events led to annexing the Crimea to the Russian Federation, which was not recognized either by Ukraine or many other countries. Resulting from the above, operations in Ukraine are accompanied by risks non-relevant for other economies.

COVID-19 outbreak

On 11 March 2020, the WHO declared the COVID-19 outbreak to be a pandemic. During 2021 COVID-19 pandemic continued to have a significant impact on the economy of Ukraine. However, against the background of the implementation of the vaccination plan and the abolition of a significant number of restrictions related to COVID-19 and a global economic recession caused by the COVID-19 pandemic, there is a recovery of Ukraine's economy.

The Management assessed the impact of COVID-19 on its Company's assets impairment, its revenues and its ability to generate sufficient cash flow to settle its liabilities when they are due and to maintain its operations in the foreseeable future. As of the date of the issue of this financial statements, the Company's operations have not been significantly impacted.

Management continues to make efforts to mitigate the economic disruption impacts of the COVID-19 pandemic to the Company; however, there are factors beyond its knowledge or control, including the duration and severity of this outbreak, any such similar outbreak, as well as further governmental and regulatory actions taken.

Threat of invasion

In March-April and October-November 2021, Russian Federation started to mass thousands of military personnel and equipment near its border with Ukraine, representing the highest force mobilization since the country's annexation of Crimea in 2014. By December 2021, more than an estimated 100 thousand of Russian troops were stationed near the border with Ukraine. Many Western governments have called on their citizens to leave Ukraine. At the same time, the government of Russia has repeatedly denied that it has any plans to invade Ukraine.

Management is monitoring the developments in the current environment and taking actions, where appropriate, to minimize any negative effects to the extent possible. The further adverse developments of these events are described in Note 26 Subsequent events.

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.

Monetary assets and liabilities are translated into the functional currency of the Company using the official exchange rate of the National Bank of Ukraine (NBU) as of the end of the reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and the translation of monetary assets and liabilities into the Company's functional currency at the official exchange rates of the NBU at the end of the year are recognized in profit or loss for the year on a net basis.

The translation at year-end rates is not applied to non-monetary items that are measured at cost.

The US dollar is selected as the presentation currency for the financial statements. All financial information presented in US dollars and is rounded to the nearest thousand, unless otherwise stated..

The translation of financial statements from functional currency to presentation currency is as follows:

• assets and liabilities for each presented statement of financial position (including comparable information) are translated at the exchange rate at the reporting date;

• items of income and expenses in each presented statement of comprehensive income (including comparable information) are translated at the average rate for the corresponding reporting period;

• all exchange differences arising as a result of translation are recognized in other comprehensive income as exchange differences from translation into presentation currency;

(d) Going concern

In the morning of 24th of February 2022, the Russian Federation launched a large-scale invasion of Ukraine. It was followed by the immediate imposition 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. Considering these facts, the Company has assessed the assumption about its ability to continue as a going concern, which is the basis, used when prepared the financial statements.

(in thousand USD unless otherwise stated)

The Company's activities have been affected by the military invasion and management has prepared its financial plans based on known facts and events, but there is considerable uncertainty about the future development of the military invasion, its duration and short-term and long-term impact on the Company and its personnel, activities, liquidity and assets.

There may be several scenarios for the further development of the current situation with an unknown probability, and the magnitude of the impact on the Company can range from minor to serious. The main specific risk factors include:

- the opportunity to negotiate with banks and attract new credit limits (loans) in 2022 to finance the Company's operations. This depends on the uncertainty about the availability and willingness of banks to provide such financing;

- the opportunity to negotiate with major suppliers to provide credit given days for future deliveries, restructuring of existing debts, maintaining the variety of goods and range of supplies, their rhythm over time;

- security of fixed assets and inventories (assets), as well as access to logistics routes are highly dependent on the development of military activities. There is considerable uncertainty as to whether assets or transportation routes may be damaged or available, and therefore the Company will not be able to move its assets between locations, customers and suppliers. This can lead to additional costs or loss of income.

Due to the uncertain impact of the future development of the military invasion on the above significant assumptions underlying management's forecasts, management concludes that the events and conditions of the Russian military invasion will have some impact on the Company's ability to continue as a going concern, but not expected that it will be significant in the short and medium term.

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.

Despite these material uncertainties the management concluded that the going concern basis of accounting and preparation of these financial statements is appropriate.

(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 the accounting policies applied in the preparation of the Company's financial statements for the year ended 31 December 2020, 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 2020.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2
- Amendment to IFRS 16 Leases COVID-19-Related Rent

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:

	Effective date
IFRS 17 – Insurance Contracts	1 January 2023
Amendments to IFRS 17 – Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	1 January 2023
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current	1 January 2023 *(deferred*

(in thousand USD unless otherwise stated)

	from 1 January 2022)
Amendments to IFRS 3 – Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IAS 37 – Onerous Contracts – Costs of Fulfilling a Contract	1 January 2022
Annual Improvements to IFRS Standards 2018–2020: Amendments to IFRS 1 – Subsidiary as a first-time adopter Amendments to IFRS 9 – Fees in the '10 per cent' test for derecognition of financial liabilities Amendments to IFRS 16 – Illustrative examples Amendments to IAS 41 – Taxation in fair value measurements	1 January 2022 *(except for Amendments to IFRS 16, which is only regards an illustrative example, therefore no effective date is stated)*
Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8 – Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

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

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 2021 and 31 December 2020, the exchange rates used to translate foreign currency amounts were as follows:

	31 December 2021	31 December 2020
1 USD	27.2782	28,2746
1 EUR	30.9226	34,7396

	2021	2020
Average USD exchange rate	27.2835	26.9639

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 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.

(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 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 overdue trade receivables (that is, how many days since the debt has arisen it has not been paid); and

(ii) the debtor's financial position (ie whether the debtor is a bankrupt, and whether additional information is provided to the Company's management that the receivables will not be repaid in the future).

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,
(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 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).

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 included in 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 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.

(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 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:

- an allowance account for expected credit losses;
- allowance for obsolete and illiquid inventories;
- useful lives of property and equipment;
- taxation;
- supplier incentives;
- determining the lease term of contracts with renewal and termination options – Company as lessee;
- estimating the incremental borrowing rate.

(i) **Allowance account for exepcted credit losses** - the Company creates an allowance account for credit losses to ensure compensation of potential losses emerging in the case of a buyers' inability to effect necessary payments (Note 9).

When assessing sufficiency of the allowance account for credit losses the management takes into consideration current overall economic trends, aging of outstanding accounts receivable, the Company's experience on writing off debts, buyers' creditworthiness and changes in the terms of payments.

Changes in the economy, industry situation or financial position of a particular buyer may result in the adjustments to the amount of the allowance account for credit losses reported in the financial statements.

(ii) **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 8).

(iii) **Remaining 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.

(iv) **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.

(v) **Compensation for 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.

(vi) **Supplier incentives.** The Company receives various types of insentives 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.

(vii) **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 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).

(viii) **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.

(in thousand USD unless otherwise stated)

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:

	For the year ended 31 December 2021	For the year ended 31 December 2020
Historical cost		
As at 1 January	**20**	**-**
Additions	215	21
Modification of right-of-use assets	74	-
Disposal of right-of-use assets	(6)	-
Currency translation difference	1	(1)
As at 31 December	**304**	**20**
Accumulated depreciation		
As at 1 January	**(2)**	**-**
Charge for the year	(103)	(2)
Disposal of right-of-use assets	6	-
Currency translation difference	-	-
As at 31 December	**(99)**	**(2)**
Carrying amount		
As at 1 January	**18**	**-**
As at 31 December	**205**	**18**

b. *Recognized lease liabilities*

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

	For the year ended 31 December 2021	For the year ended 31 December 2020
As at 1 January	**16**	**-**
New lease agreements and their modifications	286	21
Accrued interest	12	-
Payments	(116)	(4)
Currency translation difference	1	(1)
As at 31 December	**199**	**16**
including:		
Short-term liabilities	150	16
Long-term liabilities	49	-

(in thousand USD unless otherwise stated)

Future minimum lease payments and present value of net minimum lease payments as at 31 December 2021 were as follows:

	31 December 2021	31 December 2020
Minimum lease payments	**224**	**17**
Less than 1 year (current portion)	167	17
1 to 3 years	41	-
More than 3 years	16	-
Less future cost of financing	(25)	(1)
Total present value of minimum lease payments	**199**	**16**

c. Recognized in profit and loss

The following are amounts recognized in profit or loss:

	For the year ended 31 December 2021	For the year ended 31 December 2020
Included in other income		
Operating lease income	38	-
The financial results of changes in lease agreements	1	-
Included in distribution costs		
Depreciation expense of right-of-use assets	(103)	(2)
Included in finance cost		
Interest expense on lease liabilities	(12)	-
Included in other expenses		
Other expenses	1	-
Total amount recognized in profit or loss	**(75)**	**(2)**

The Company's total cash outflows on leases amounted to USD 116 thousand in 2021 (2020: USD 5 thousand), and are classified as cash flows from financial and operating activities in the statement of cash flows.

	For the year ended 31 December 2021	For the year ended 31 December 2020
Lease liabilities repayment (financing activities)	105	4
Interest expense on lease liabilities repayment (operating activities)	11	-
	116	**4**

(in thousand USD unless otherwise stated)

6. Non-current receivables

As at 31 December, non-current accounts receivable consisted of the following:

	31 December 2021	31 December 2020
Non-current receivable	10,448	-
Discounting rate	12.90%	-
Discount effect	(3,338)	-
Currency translation differences	-	-
	7,110	**-**

As at 31 December 2021 non-current receivables arose from related party transactions.. Maturity date – 31 December 2024.

7. Property, plant and equipment

The historical cost and accumulated depreciation of property, plant and equipment as at 31 December 2021 are presented in the following table:

	Communications and computer equipment	Engineering and storage equipment	Other fixed assets	Total
Historical cost				
As at 1 January 2020	**-**	**-**	**-**	**-**
Additions	12	-	2	14
Currency translation difference	-	-	-	-
As at 31 December 2020	**12**	**-**	**2**	**14**
Additions	2	187	319	508
Currency translation difference	-	1	1	2
As at 31 December 2021	**14**	**188**	**322**	**524**
Accumulated depreciation				
As at 1 January 2020	**-**	**-**	**-**	**-**
Charge for the year	-	-	(2)	(2)
Currency translation difference	-	-	-	-
As at 31 December 2020	**-**	**-**	**(2)**	**(2)**
Charge for the year	(4)	(27)	(318)	(349)
Currency translation difference	-	-	-	-
As at 31 December 2021	**(4)**	**(27)**	**(320)**	**(351)**
Net carrying amount				
As at 1 January 2020	**-**	**-**	**-**	**-**
As at 31 December 2020	**12**	**-**	**-**	**12**
As at 31 December 2021	**10**	**161**	**2**	**173**

As at 31 December 2021, property and equipment at the cost of USD 319 thousand (2020: USD 0) were fully depreciated but remained in use.

No property, plant and equipment was pledged as security under the Company's liabilities at 31 December 2021 and 31 December 2020.

(in thousand USD unless otherwise stated)

8. Inventories

As at 31 December, inventories consisted of the following:

	31 December 2021	31 December 2020
Goods for resale (1)	16,173	394
Other materials	4	-
	16,177	**394**

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

	31 December 2021	31 December 2020
Consumer electronics and photo devices	3,737	61
Kitchenware	2,781	48
Consumables and accessories	2,701	71
Major home appliances	2,095	5
Small home appliances	2,032	3
Cell phones	1,155	66
Laptops, computer devices	1,007	120
Others	665	20
	16,173	394

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

• JSB "Ukrgasbank" (Ukraine). Inventories in the amount of USD 11,7 mln (31 December 2020 – USD 0) were pledged as a collateral according to the loan agreement.

Inventory written off to «Cost of sales» for the year ended 31 December 2021, amounted to USD 176,308 thousand (Note 16).

The Company did not reduce the carrying amount of inventories as at 31 December 2021 to its net realizable value. There were no inventories accounted for at fair value less costs to sell as at 31 December 2021 and 31 December 2020.

9. Trade accounts receivable

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

	31 December 2021	31 December 2020
Trade accounts receivable	45,148	6,302
Allowance account for expected credit losses for trade accounts receivable	(2,240)	(75)
	42,908	**6,227**

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 2021 trade accounts receivable in the amount of USD 2,4 mln (31 December 2020: USD 0 mln) were pledged as a collateral according to the factoring agreements.

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

(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 2021, based on payment discipline's historical information:

	From 0 to 30 days	From 31 to 90 days	From 91to 180 days	From 181 to 365 days	More than 365 days	Total
Carrying amount at 31 December 2021	**33,420**	**9,220**	**268**	**-**	**-**	**42,908**
Nominal value	34,520	9,933	465	210	20	**45,148**
Expected credit losses allowance	(1,100)	(713)	(197)	(210)	(20)	**(2,240)**
Expected credit losses rate	3%	7%	42%	100%	100%	**5%**
Carrying amount at 31 December 2020	**6,079**	**148**	**-**	**-**	**-**	**6,227**
Nominal value	6,150	152	-	-	-	**6,302**
Expected credit losses allowance	(71)	(4)	-	-	-	**(75)**
Expected credit losses rate	1%	3%	-	-	-	**1.2%**

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 2021	**31 December 2020**
Fully recoverable	40,399	6,071
Past due, but not impaired	2,509	156
Impaired	2,240	75
	45,148	**6,302**

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

Movements in the allowance account for expected credit losses

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

At 31 December 2019	**-**
Allowance accrual	79
Currency translation differences	(4)
At 31 December 2020	**75**
Allowance accrual	2,198
Reversal of allowance	(32)
Currency translation differences	3
At 31 December 2021	**2,244**

(in thousand USD unless otherwise stated)

10. Prepayments and other accounts receivable

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

	31 December 2021	31 December 2020
Current financial assets		
Interest accrued receivable	7	-
Allowance account for expected credit losses	-	-
Dividends to be received	-	1,578
Current non-financial assets		
Prepayments to suppliers	3,229	121
VAT recoverable	1,931	94
Prepayments to other debtors	6	-
Allowance account for expected credit losses	(4)	-
	5,169	**1,793**

11. Cash and cash equivalents

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

	31 December 2021	31 December 2020
Cash and cash equivalents		
Current accounts in bank, UAH	2,031	86
Current accounts in bank, USD	10	-
	2,041	**86**

As at 31 December 2021 and 31 December 2020, the Company didn't have short-term deposits.

As at 31 December 2021 and 31 December 2020, the Company did not have cash restricted in use.

As at 31 December 2021 and 31 December 2020, 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.

(in thousand USD unless otherwise stated)

12. Loans and borrowings

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

	31 December 2021	31 December 2020
Short-term loans and borrowings		
Borrowings from non-financial lenders (1)	7,488	-
Liabilities related to factoring financing (2)	2,152	-
Total short-term loans and borrowings	**9,640**	**-**

1) Short-term borrowings from non-financial lenders:

As at 31 December, short-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 2021 amounted to USD 3,666 thousand. The loan is denominated in UAH. The maturity date is December 2022.

Liability on the loan agreement with SC «VICTORIANO». Liability on the loan as at 31 December 2021 amounted to USD 3,666 thousand. The loan is denominated in UAH. The maturity date is November 2022.

Liability on the loan agreement with SC «VICTORIANO». Liability on the loan as at 31 December 2021 amounted to USD 156 thousand. The loan is denominated in UAH. The maturity date is December 2022.

As at 31 December 2020 the Company had no liabilities on short-term. borrowings from non-financial lenders.

2) Liabilities related to factoring financing:

As at 31 December, liabilities related to factoring financing consisted of the following:

Liability on factoring financing from PJSC Raiffeisen Bank (Ukraine). Maturity date - 4 April 2022. The outstanding balance as at 31 December 2021 amounted to USD 2,152 thousand (31 December 2020 – USD 0 thousand). The loan is denominated in UAH.

13. Other liabilities

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

	31 December 2021	31 December 2020
Current financial liabilities		
Wages and salaries payable	164	10
VAT and other taxes payable	160	-
Current provisions	53	-
Outstanding interest accrued	9	-
Other current liabilities	-	17
Current non-financial liabilities		
Advances from customers	421	178
Other current liabilities	4	-
	811	**205**

(in thousand USD unless otherwise stated)

14. Share capital

Share capital

As at 31 December 2021 the Company's share capital amounted to UAH 17,902 thousand (31 December 2020: USD 11 thousand). During 2021, the share capital was increased by UAH 17,891 thousand. As at 31 December 2021 the share capital of the Company in the amount of USD 204 thousand was unpaid.

Dividends

For the year ended 31 December 2021 and 31 December 2020 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.

15. Revenue

Revenue per major product groups consisted of the following:

	For the year ended 31 December 2021	For the year ended 31 December 2020
Laptops, computer devices	42,230	2,385
Consumer electronics and photo devices	35,863	955
Cell phones	31,523	1,287
Major home appliances	22,163	771
Consumables and accessories	19,833	1,085
Small home appliances	17,874	837
Kitchenware	13,278	693
Medical appliances	2,738	119
Others	2,534	62
Rendering of services	1	2
	188,037	**8,196**

16. Cost of sales

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

	For the year ended 31 December 2021	For the year ended 31 December 2020
Laptops, computer devices	40,876	2,386
Consumer electronics and photo devices	34,082	955
Cell phones	29,081	1,287
Major home appliances	21,247	772
Consumables and accessories	18,012	1,085
Small home appliances	17,082	837
Kitchenware	11,766	694
Medical appliances	2,038	119
Others	2,124	60
	176,308	**8,195**

(in thousand USD unless otherwise stated)

17. Selling and distribution costs

Selling and distribution costs consisted of the following:

	For the year ended 31 December 2021	For the year ended 31 December 2020
Salaries and related charges	1,536	29
Delivery services	866	49
Storage expenses	825	25
Marketing services	515	-
Depreciation and amortization	300	1
Depreciation expense of right-of-use assets	103	2
Other expenses	7	1
	4,152	**107**

18. Administrative expenses

Administrative expenses consisted of the following:

	For the year ended 31 December 2021	For the year ended 31 December 2020
Salaries and related charges	214	14
Bank service fees	77	1
Utilities	77	1
Depreciation and amortization	49	1
Audit and legal fess	12	-
Other expenses	43	1
	472	**18**

19. Other expenses

Other expenses consisted of the following:

	For the year ended 31 December 2021	For the year ended 31 December 2020
Costs of allowance account for credit losses accrual (Note 9)	2,166	79
Operational foreign exchange loss	130	1
Fines and penalties	13	-
Shortage and losses from assets damages	3	-
The financial results of changes in lease agreements	(1)	-
Other expenses	20	-
	2,331	**80**

(in thousand USD unless otherwise stated)

20. Finance income/Finance costs

Finance income and costs consisted of the following:

	For the year ended 31 December 2021	For the year ended 31 December 2020
Finance income		
Interest received	27	-
	27	**-**
Finance costs		
Non-current receivables discount effect	3,338	-
Commission on bank guarantees and letter of credit (1)	132	-
Interest on loans and borrowings	48	-
Interest expense on lease liabilities	12	-
Interest on factoring operations	1	-
Other finance costs	38	-
	3,569	**-**

(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 Alfa-Bank (Ukraine). As at 31 December 2021 the guarantees issued amounted to USD 8,25 mln. (31 December 2020 - USD 0 mln). Guarantees had been obtained under the security of goods of third party.

- YC DISTRIBUTION LLC is a party of the General Loan Agreement with PJSC Raiffeisen Bank (Ukraine). As at 31 December 2021, the amount of letters of credit issued amounted to USD 3,4 million (31 December 2020 - USD 0 million). Additionally, third parties pledged their property with a collateral value of USD 16,2 million and one of the related parties provided guarantee for YC DISTRIBUTION LLC on amount of USD 33 million.

- YC DISTRIBUTION LLC is a party of the General Loan Agreement with JSB "Ukrgasbank" (Ukraine). As at 31 December 2021 the guarantees issued amounted to USD 9,9 mln. (31 December 2020 - USD 0 mln). Guarantees had been obtained under the security of goods (Note 8). Additionally, one of the related parties pledged their property with a collateral value of USD 10,7 million.

- YC DISTRIBUTION LLC is a party of the General Loan Agreement with JSC CREDIT AGRICOLE BANK. As at 31 December 2021 the guarantees issued amounted to USD 0,5 mln. (31 December 2020 - USD 0 mln). Additionally, several third parties pledged their property with a collateral value of USD 11,1 million.

(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.

			Non-monetary changes for year ended 31 December 2021				
	1 January 2021	Cash flows from financing activities for the year ended 31 December 2021	Lease liabilities charge	Increase of factoring financing liabilities	Other changes	Currency translation difference	**31 December 2021**
Loans and borrowings	**-**	7,487	-	2,151	-	**2**	**9,640**
Lease liabilities	**16**	(105)	286	-	1	**1**	**199**

			Non-monetary changes for year ended 31 December 2020				
	1 January 2020	Cash flows from financing activities for the year ended 31 December 2020	Lease liabilities charge	Financial aid received free of charge	Other changes	Currency translation difference	**31 December 2020**
Lease liabilities	**-**	(4)	21	-	-	**(1)**	**16**

(in thousand USD unless otherwise stated)

21. Income tax expenses

For the year ended 31 December 2021 and 31 December 2020, the Company was corporate profit taxpayer at respective rate of 18%.

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

	For the year ended 31 December 2021	For the year ended 31 December 2020
Current income tax	599	-
Changes in deferred tax	(366)	(37)
Income tax expenses	**233**	**(37)**

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

	For the year ended 31 December 2021	For the year ended 31 December 2020
Profit / (loss) before income tax	1,295	(204)
Applicable corporate income tax rate (18%)	18%	18%
Theoretical tax charge at applicable corporate income tax rates	**(233)**	**37**
Tax effect of differences which are not included for taxation purposes	-	-
Income tax expenses	**(233)**	**37**

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

	31 December 2021	31 December 2020
Deferred tax assets		
Expected credit losses allowance accrual	405	14
Losses carried forward	-	21
	405	**35**
Deferred tax liabilities		
Fixed assets and intangible assets	(2)	-
	(2)	**-**
Reported in the Statement of financial position as:		
Deferred tax assets	**403**	**35**

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

	For the year ended 31 December 2021	For the year ended 31 December 2020
Opening balance	**35**	**-**
Movement in temporary differences reported in profit or loss	366	37
Currency translation differences	2	(2)
Closing balance	**403**	**35**

(in thousand USD unless otherwise stated)

22. Related parties

For the purposes of the 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 2021 and 31 December 2020 because of transactions with related parties under common control the Company received following income:

	For the year ended 31 December 2021	For the year ended 31 December 2020
Revenue	50,713	73
Other income	1	-
	50,714	**73**

For the year ended 31 December 2021 and for the year ended 31 December 2020 as a result of transactions with related parties under common control the Company incurred following expenses:

	For the year ended 31 December 2021	For the year ended 31 December 2020
Cost of sales	49,856	67
Administrative expenses	98	2
Other expenses	459	-
Finance costs	3,351	-
	53,764	**69**

The amount of purchases goods by the Company from related parties in 2021 amounted to USD 91,865 thousand, in 2020 - USD 8,385 thousand

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

	31 грудня 2021	31 грудня 2020
Non-current receivables	7,110	-
Total non-current assets	**7,110**	**-**
Trade accounts receivables	13,138	80
Prepayments and other accounts receivable	-	1,577
Total current assets	**13,138**	**1,657**
Long-term lease liabilities	17	-
Total long-term liabilities under lease agreements	**17**	**-**
Loans and borrowings	7,488	-
Current part of liabilities under lease agreements	95	-
Trade accounts payables	3,450	6,783
Other current liabilities	9	16
Total current liabilities	**11,042**	**6,799**

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.

Transactions with key management personnel

The amount of remuneration of key management personnel of the Company for the year ended 31 December 2021, amounted to USD 10 thousand (for the year ended 31 December 2020 – USD 2 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 counties (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

For the year, ended 31 December 2021 and 31 December 2020 the Company had not contractual commitments for the acquisition of fixed assets and intangible assets.

(in thousand USD unless otherwise stated)

Commitment to comply with the covenants under the credit agreements

For the year, ended 31 December 2021 and 31 December 2020 the Company complied with the covenants under the loan agreements.

Guarantees given

YC Distribution LLC provided guarantee to JSC Alfa-Bank for full repayment of the liability of its related parties that are obliged to PJSC Alfa-Bank. As at 31 December 2021 there were no conditions and events, as provided for in the guarantee agreement, which would indicate that the parties failed to fulfill their obligations to JSC Alfa-Bank. According to the Company's management, the fair value of such guarantees as at 31 December 2021 is nil.

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 2021 amounted to 72.5% of the total purchases of the Company (at 31 December 2020 – 99.7%). 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 2021	**31 December 2020**	**31 December 2021**	**31 December 2020**
Financial assets				
Assets carried at amortized value	52,066	7,890	57,644	7,966
Financial liabilities				
Liabilities carried at amortized value	53,101	6,936	52,902	6,920

As at 31 December 2021 and as at 31 December 2020 assets and liabilities of the Company were measured based on unobservable inputs – Level 3 inputs in fair value hierarchy.

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 9).

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.

(in thousand USD unless otherwise stated)

As at 31 December 2021 trade accounts receivable from related parties makes up 30.6% of the total trade accounts receivable (at 31 December 2020 — 1.3%). 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 2021 and as at 31 December 2020 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).

The tables below show the concentration of the Company's currency risk.

	UAH	RUB	USD	EUR	Total
Trade accounts receivable	42,908	-	-	-	**42,908**
Other receivables and assets	10,454	1	-	-	**10,455**
Cash and cash equivalents	2,031	-	10	-	**2,041**
Total financial assets	**55,393**	**1**	**10**	**-**	**55,404**
Loans and borrowings	(9,640)	-	-	-	**(9,640)**
Trade and other payables	(31,371)	-	(5,326)	(5,902)	**(42,599)**
Other liabilities	(862)	-	-	-	**(862)**
Total financial liabilities	**(41,873)**	**-**	**(5,326)**	**(5,902)**	**(53,101)**
Net currency position	**13,520**	**1**	**(5,316)**	**(5,902)**	**2,303**

As at 31 December 2021 the Company had no assets or liabilities in currencies other than the Ukrainian hryvnia.

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 2021		*Year ended 31 December 2020*	
	The change in the exchange rate, %	*Effect on profit before taxation*	*The change in the exchange rate, %*	*Effect on profit before taxation*
USD / UAH	7.25%/(7.25%)	(385)/385	-	-
EUR / UAH	(1.43%)/1.43%	84/(84)	-	-

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.

(in thousand USD unless otherwise stated)

Liquidity risk

Liquidity risk is the risk that the Company will fail to discharge all liabilities when they fall due. The liquidity management approach to 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 2021

	Carrying amount	Contractual payments		
		Less than1year	*More than 1 year*	*Total*
Loans and borrowings	9,640	10,720	-	10,720
Trade and other payables	42,599	42,599	-	42,599
Other liabilities	862	831	57	888
Total	**53,101**	**54,150**	**57**	**54,207**

As at 31 December 2020

	Carrying amount	Contractual payments		
		Less than1year	*More than 1 year*	*Total*
Trade and other payables	6,909	6,909	-	6,909
Other liabilities	27	27	-	27
Total	**6,936**	**6,936**	**-**	**6,936**

(in thousand USD unless otherwise stated)

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 2021	31 December 2020
Loans and borrowings (Note 12)	9,640	-
less Cash and cash equivalents (Note 11)	(2,041)	(86)
Net debt	**7,599**	**(86)**
Total equity	20,660	1,435
Total equity and liabilities	**28,259**	**1,349**
Net debt to equity and liabilities ratio	**27%**	**-**

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

26. Subsequent events

On 24 February 2022, the Russian Federation launched a military invasion of Ukraine, and the government imposed martial law throughout Ukraine.

At the date of approval of these financial statements, the Company continues its activities, the Company's Management controls all its operations, key assets of the Company are not damaged. Office staff work remotely, other employees perform their duties in the field.

Debt service payments are not significant for YC DISTRIBUTION LLC and may be covered by current operating cash flow from the sale of goods. The Company has enough funds to service the existing debt. YC DISTRIBUTION LLC cooperates with existing and potential creditors (including state-owned banks) in order to attract additional financing when needed in the future. The Company regularly monitors its liabilities and maintains close contact with all its creditors. In the medium term, due to the release of current assets, the Company's management expects to receive a positive cash flow.

The 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 activities have been affected as a result of the military invasion. The Company's management has prepared its financial plans based on known facts and events, but there is considerable uncertainty about the future development of the military invasion, its duration and short-term and long-term impact on YC DISTRIBUTION LLC, its personnel, activities, liquidity and assets.

Bank loans

The Company obtained new tranches under current revolving credit facility in the amount of USD 3,3 million.

In addition, the Company obtained additional loans from non-banking institutions in the amount of USD 0,62 million.

The Company repaid its liabilities under loan and factoring agreements in the total amount of USD 3,94 million.

Capital

Before the issue of these financial statements the Company's share capital was fully paid by all its members.

YC DISTRIBUTION LLC

ADDITIONAL FINANCIAL INFORMATION

(in thousand USD unless otherwise stated)

		CODES		
	Date (year, month, day)	2021	12	31
Limited Liability Company «YC DISTRIBUTION»	by EDRPOU	37502437		
Territory: Ukraine	by KOATUU	UA80000000001078669		
Legal form Limited liability company	by COPFG	240		
Type of economic activities: Non-specialized wholesale trade	by KVED	46.90		

The average number of employees [1] 431

Address, cell phone number: 04119, 1 Dorogozhytska St, Kyiv, тел.:578-28-29

Amounts in: UAH thousand without decimal point

Prepared in accordance with (tick the "v" in the appropriate box):

Ukrainian generally accepted accounting principals	
International financial reporting standards	X

Statement of financial position

At 31 December 2021

Form №1 Code DKUD 1801001

ASSETS	Line code	At the beginning of the reporting period	At the end of the reporting period
1	2	4	5
I. Non-curent assets			
Intangible assets	1000	**-**	**-**
historical cost	1001	-	-
accumulated amortization	1002	-	-
Capital investments	1005	-	-
Property, plant and equipment	1010	**30**	**378**
historical cost	1011	34	828
accumulated amortization	1012	(4)	(450)
Deferred tax assets	1045	35	403
Non-current accounts receivable	1090	-	7,110
Total non-current assets I	**1095**	**65**	**7,891**
II. Current assets			
Inventories	1100	394	16,177
other materials	1101	-	4
goods for resale	1104	394	16,173
Accounts receivable for products, goods, works, services	1125	6,227	42,908
Accounts receivable: on advances issued	1130	123	3,225
from budget	1135	58	-
including income tax receivable	1136	-	-
on accrued income	1140	1,577	7
Other current accounts receivable	1155	1,454	5
Cash and cash equivalents	1165	86	2,041
Other current assets	1190	36	1,932
Total current assets	**1195**	**9,955**	**66,295**
III. Non-current assets held for sale	**1200**		
Total assets	**1300**	**10,020**	**74,186**

YC DISTRIBUTION LLC

ADDITIONAL FINANCIAL INFORMATION

(in thousand USD unless otherwise stated)

LIABILITIES	Line code	At the beginning of the reporting period	At the end of the reporting period
1	2	4	5
I. Equity			
Share capital	1400	11	17,902
Additional capital	1410	(4)	472
Retained earnings (accumulated deficit)	1420	1,428	2,490
Unpaid capital	1425	-	(204)
Total equity	**1495**	**1,435**	**20,660**
II. Long-term liabilities			
Long-term bank loans	1510	-	-
Other long-term liabilities	1515	-	49
Total long-term liabilities	**1595**	**-**	**49**
III. Short-term liabilities			
Short-term bank loans	1600	-	9,640
Current accounts payable:			
long-term liabilities	1610	16	150
goods, works, services	1615	6,909	42,599
to budget	1620	-	437
including income tax payable	1621	-	277
insurance settlements	1625		35
salary and wages	1630	10	129
on advances received	1635	177	421
settlements with participants	1640	-	-
Current provisions	1660	-	53
Other current liabilities	1690	1,473	14
Total short-term liabilities	**1695**	**8,585**	**53,478**
IV. Liabilities related to assets held for sale	**1700**	-	-
Total equity and liability	**1900**	**10,020**	**74,186**

YC DISTRIBUTION LLC

ADDITIONAL FINANCIAL INFORMATION

(in thousand USD unless otherwise stated)

		CODES		
	Date (year, month, day)	2021	12	31
Limited Liability Company «YC DISTRIBUTION» (name)	by EDRPOU	37502437		

Statement of comprehensive income
For year ended 31 December 2021

Form №2 Code DKUD 1801003

I. Financial results

Item	Line code	For the reporting period	For the same period of the previous year
1	2	4	5
Net income from sales of products (goods, works, services)	2000	188,037	8,196
Cost of sales (goods, works, services)	2050	(176,308)	(8,195)
Gross: profit	2090	**11,729**	**1**
loss	2095	-	-
Other operating income	2120	63	-
Administrative expenses	2130	(472)	(18)
Selling and distribution expenses	2150	(4,152)	(107)
Other operating expenses	2180	(2,331)	(80)
Financial result from operating activities: profit	2190	**4,837**	**-**
loss	2195	-	**(204)**
Other financial income	2220	27	-
Other income	2240		-
Finance costs	2250	(3,569)	-
Other expenses	2270		-
Financial result before taxes: profit	2290	**1,295**	**-**
loss	2295	-	**(204)**
Income tax expenses	2300	(233)	37
Net financial result: profit	2350	**1,062**	**-**
loss	2355		**(167)**

YC DISTRIBUTION LLC

ADDITIONAL FINANCIAL INFORMATION
(in thousand USD unless otherwise stated)

II. Comprehensive income

Item	Line code	For the reporting period	For the same period of the previous year
1	2	4	5
Revaluation of non-current assets	2400	-	-
Revaluation of financial instruments	2405	-	-
Accumulated currency translation differences	2410	-	-
Other comprehensive income	2445	-	-
Other comprehensive income before taxes	**2450**	**-**	**-**
Income tax from other comprehensive income	2455	-	-
Other comprehensive income after taxes	**2460**	476	(301)
Total comprehensive income (sum of lines 2350, 2355 and 2460)	**2465**	**1,538**	**(468)**

III. Elements of operating expenses

Item	Line code	For the reporting period	For the same period of the previous year
1	2	4	5
Material expenses	2500	15	-
Salary and wages	2505	1,436	36
Salary related taxes	2510	314	8
Depreciation and amortization	2515	452	4
Other operating expenses	2520	4,738	159
Total	**2550**	**6,955**	**205**

IV. Calculation of profitability of shares

Item	Line code	For the reporting period	For the same period of the previous year
1	2	4	5
Average annual number of ordinary shares	2600	-	-
Adjusted average annual number of ordinary shares	2605	-	-
Net profit (loss) per one ordinary share	2610	-	-
Adjusted net income (loss) per ordinary share	2615	-	-
Dividends per one ordinary share	2650	-	-

YC DISTRIBUTION LLC

ADDITIONAL FINANCIAL INFORMATION

(in thousand USD unless otherwise stated)

		CODES		
	Date (year, month, day)	2021	12	31
Limited Liability Company «YC DISTRIBUTION» (name)	by EDRPOU	37502437		

Statement of cash flows (direct method)
For the year ended 31 December 2021

Form №3 Code DKUD 1801004

Item	Line code	For the reporting period	For the same period of the previous year
1	2	4	5
I. Cash flows from operating activities Cash receipts: Sales of products (goods, works, services)	3000	179,033	3,390
Proceeds from the advance payments	3020	-	-
Other proceeds	3095	3,084	-
Cash payments for: Goods (works, services)	3100	(204,249)	(3,280)
Salary and wages	3105	(1,230)	(25)
Salary related taxes	3110	(279)	(7)
Payments of income tax liabilities	3116	(322)	-
Payments of VAT liabilities	3117	(432)	-
Payments of other taxes liabilities	3118	(18)	(1)
Other payments	3190	(277)	(1)
Чистий рух коштів від операційної діяльності	**3195**	**(24,690)**	**76**
II. Cash flows from investing activities Cash proceeds from sales of: Financial instruments	3200	-	-
Non-current assets	3205	(453)	-
Cash proceeds from received: interests	3215	20	-
dividends	3220	1,635	19
Net cash flows from investing activities	**3295**	**1,202**	**19**
III. Cash flows from Financing activities Cash proceeds from: Share capital	3300	18,106	
Receipt of loans and borrowings	3305	21,781	
Repayment of loans and borrowings	3350	(14,294)	
Other payments	3390	(105)	(4)
Net cash flows from financing activities	**3395**	**25,488**	**(4)**
Net increase in cash and cash equivalents	**3400**	**2,000**	**91**
Cash and cash equivalents at the beginning of the period	3405	86	-
Net foreign exchange difference	3410	(45)	(5)
Cash and cash equivalents at the period end	3415	2,041	86

YC DISTRIBUTION LLC

ADDITIONAL FINANCIAL INFORMATION
(in thousand USD unless otherwise stated)

		CODES		
	Date (year, month, day)	2021	12	31
Limited Liability Company «YC DISTRIBUTION» (name)	by EDRPOU	37502437		

Statement of changes in equity
For the year ended 31 December 2021

Form №4 | Code DKUD | 1801005

Item	Line code	Share capital	Valuation surpplus	Additional capital	Reserve capital	Retained earnings (Accumulated deficit)	Unpaid capital	Withdrawn capital	Total
1	2	3	4	5	6	7	8	9	10
As at 31 December 2020	**4000**	**11**	**-**	**(4)**	**-**	**1,428**	**-**	**-**	**1,435**
Adjustments: Changes in accounting policies	4005	-	-	-	-	-	-	-	-
Errors correction	4010	-	-	-	-	-	-	-	-
Other changes	4090	-	-	-	-	-	-	-	-
Adjusted as at 31 December 2020	**4095**	**11**	**-**	**(4)**	**-**	**1,428**	**-**	**-**	**1,435**
Net profit or loss for the period	**4100**	-	-	-	-	**1,062**	-	-	1,062
Other comprehensive income for the period	**4110**	-	-	-	-	-	-	-	-
Profit distribution: Dividends	4200	-	-	-	-	-	-	-	-
Contributions of participants: Increase of share capital	4240	17,891	-	-	-	-	(17,891)	-	-
Share capital liability settlement	4245	-	-	-	-	-	17,687	-	17,687
Withdrawal of capital: Purchase of own shares	4260	-	-	-	-		-	-	-
Resale of repurchased shares (shares)	4265	-	-	-	-	-	-	-	-
Cancellation of repurchased shares	4270	-	-	-	-	-	-	-	-
Withdrawal share capital	4275	-	-	-	-	-	-	-	-
Other changes in capital	4290	-	-	476	-	-	-	-	476
Total changes ins capital	**4295**	**17,891**	**-**	**476**	**-**	**1,062**	**(204)**	**-**	**19,225**
As at 31 December 2021	**4300**	**17,902**	**-**	**472**	**-**	**2,490**	**(204)**	**-**	**20,660**

YC DISTRIBUTION LLC

ADDITIONAL FINANCIAL INFORMATION
(in thousand USD unless otherwise stated)

Statement of changes in equity
For the year ended 31 December 2020

Item	Line code	Share capital	Valuation surpplus	Additional capital	Reserve capital	Retained earnings (Accumulated deficit)	Unpaid capital	Withdrawn capital	Total
1	2	3	4	5	6	7	8	9	10
As at 31 December 2019	**4000**	**11**	**-**	**297**	**-**	**1,595**	**-**	**-**	**1,903**
Adjustments: Changes in accounting policies	4005	-	-	-	-	-	-	-	-
Errors correction	4010	-	-	-	-	-	-	-	-
Other changes	4090	-	-	-	-	-	-	-	-
Adjusted as at 31 December 2019	**4095**	**11**	**-**	**297**	**-**	**1,595**	**-**	**-**	**1,903**
Net profit or loss for the period	**4100**	-	-	-	-	**(167)**	-	-	**(167)**
Other comprehensive income for the period	**4110**	-	-	-	-	-	-	-	-
Profit distribution: Dividends)	4200	-	-	-	-	-	-	-	-
Contributions of participants: Increase of share capital	4240	-	-	-	-	-	-	-	-
Share capital liability settlement	4245	-	-	-	-	-	-	-	-
Withdrawal of capital: Purchase of own shares	4260	-	-	-	-	-	-	-	-
Resale of repurchased shares (shares)	4265	-	-	-	-	-	-	-	-
Cancellation of repurchased shares	4270	-	-	-	-	-	-	-	-
Withdrawal share capital	4275	-	-	-	-	-	-	-	-
Other changes in capital	4290	-	-	(301)	-	-	-	-	(301)
Total changes ins capital	**4295**	-	-	(301)	-	**(167)**	-	-	**(468)**
As at 31 December 2020	**4300**	**11**	**-**	**(4)**	**-**	**1,428**	**-**	**-**	**1,435**