

Limited Liability Company
“Gualapack Ukraine”

Financial Statements
as at and for the year ended
31 December 2019
and Independent Auditors’ Report

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Independent Auditors' Report

To Management of Limited Liability Company “Gualapack Ukraine”

Opinion

We have audited the financial statements of Limited Liability Company “Gualapack Ukraine” (the “Company”), which comprise the balance sheet (statement of financial position) as at 31 December 2019, the income statement (statement of comprehensive income), statement of changes in equity and statement of cash flows (direct method) for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of Ukrainian legislation on financial reporting.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) 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 International Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

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

Audited entity: LLC Gualapack Ukraine

Registration No. in the National State Registry of Ukrainian Enterprises and Organizations 38958996.

Independent auditor: Private Joint-Stock Company KPMG Audit, a company incorporated under the Laws of Ukraine, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

Registration No. in the National State Registry of Ukrainian Enterprises and Organizations 31032100.

Registration Number of the Entry in the Register of Auditors and Audit Organisations: No. 2397.

Address: 32/2 Moskovska Str., 17th floor, Kyiv, 01010, Ukraine



In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 IFRS and the requirements of Ukrainian legislation on financial reporting, 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

The engagement partner on the audit resulting in this independent auditors' report is:



Oleksandr Gavriiliuk

Registration No. 101470 in the Register of Auditors and Audit Organisations

Deputy Director

JSC KPMG Audit

16 March 2020

Limited Liability Company "Gualapack Ukraine"
Financial Statements as at and for the year ended 31 December 2019
Balance Sheet (Statement of Financial Position) as at 31 December 2019

	Date (year, month, day)	
Entity <u>Limited Liability Company "Gualapack Ukraine"</u>	EDRPOU	CODES
Location <u>Ukraine</u>	KOATUU	2019 12 31
Form of ownership <u>Limited Liability Company</u>	KOPFG	38958996
Principal activity <u>Plastic packs production</u>	KVED	5910136600
Average number of employees <u>332</u>		240
Address <u>147/4, Kurskyi avenue, Sumy, Sumy region, 40031</u>		22.22
Measurement unit: thousand UAH		
Prepared in accordance with (put "v" where appropriate):		
National Accounting Standards		V
International Financial Reporting Standards		

Balance Sheet (Statement of Financial Position)
as at 31 December 2019

Form N 1

DKUD Code 1801001

Assets	Line Code	31 December 2019	31 December 2018	Note
1	2	3	4	5
I. Non-current assets				
Intangible assets:				
net book value	1000	861	717	
historical cost	1001	1,307	904	
accumulated amortization	1002	(446)	(187)	
Construction in progress	1005	3,000	91,979	10
Property, plant and equipment:				
net book value	1010	575,531	434,082	10
historical cost	1011	845,688	592,982	
accumulated depreciation	1012	(270,157)	(158,900)	
Investment property				
net book value	1015	-	-	
historical cost	1016	-	-	
accumulated depreciation	1017	-	-	
Long-term financial investments:				
accounted for using equity method	1030	-	-	
other financial investments	1035	-	-	
Long-term receivables	1040	-	-	
Deferred tax assets	1045	382	382	9
Other non-current assets	1090	-	-	
Total non-current assets	1095	579,774	527,160	

The accompanying notes form an integral part of these financial statements.

Limited Liability Company “Gualapack Ukraine”
Financial Statements as at and for the year ended 31 December 2019
Balance Sheet (Statement of Financial Position) as at 31 December 2019
(continued)

Assets	Line Code	31 December 2019	31 December 2018	Note
1	2	3	4	5
II. Current assets				
Inventories:	1100	135,761	133,844	<i>11</i>
raw materials and consumables	1101	58,005	51,179	
work in progress	1102	42,996	52,433	
finished goods	1103	34,085	28,122	
merchandise	1104	675	2,110	
Current biological assets	1110	-	-	
Promissory notes received	1120	-	-	
Trade accounts receivable	1125	197,547	141,566	<i>12</i>
Other receivables:				
prepayments made	1130	6,273	8,986	
taxes, including:	1135	7,838	30,431	<i>13</i>
income tax	1136	-	-	
Other current receivables	1155	-	15,458	<i>14</i>
Current financial investments	1160	-	-	
Cash and cash equivalents	1165	54,988	7,008	<i>15</i>
Deferred expenses	1170	265	-	
Other current assets	1190	51	-	
Total current assets	1195	402,723	337,293	
III. Non-current assets held for sale, and disposal Companies	1200		-	
Total assets	1300	982,497	864,453	

The accompanying notes form an integral part of these financial statements.

*Limited Liability Company "Gualapack Ukraine"
Financial Statements as at and for the year ended 31 December 2019
Balance Sheet (Statement of Financial Position) as at 31 December 2019
(continued)*

Equity and Liabilities	Line Code	31 December 2019	31 December 2018	Note
1	2	3	4	5
I. Equity				16
Share capital	1400	33,750	33,750	
Revaluation surplus	1405	-	-	
Additional capital	1410	37	37	
Reserve capital	1415	8,437	8,437	
Retained earnings	1420	495,933	342,769	
Unpaid capital	1425	-	-	
Capital withdrawals	1430	-	-	
Total equity	1495	538,157	384,993	
II. Non-current liabilities and provisions				
Deferred tax liabilities	1500	-	-	
Post-employment and other employee benefit obligations	1505	-	-	
Long-term bank loans	1510	93,757	131,035	17
Other non-current liabilities	1515	5,649	2,706	18
Long-term provisions	1520	-	-	
Target financing	1525	9,368	15,304	14
Total non-current liabilities and provisions	1595	108,774	149,045	
III. Current liabilities and provisions				
Short-term bank loans	1600	71,903	51,986	17
Current portion of long-term liabilities	1610	41,650	95,983	17
Trade accounts payable	1615	194,512	161,392	18
Taxes payable, including:	1620	8,786	7,566	
income tax	1621	8,089	6,985	
Insurance payable	1625	759	615	
Salaries payable	1630	3,080	2,550	
Contract liabilities	1635	869	3,330	
Payables to participants	1640	-	-	
Current provisions	1660	11,764	6,993	
Deferred income	1665	-	-	
Other current liabilities	1690	2,243	-	
Total current liabilities	1695	335,566	330,415	
IV. Obligations under non-current assets held-for-sale, and disposal Companies				
	1700	-	-	
Total equity and liabilities	1900	982,497	864,453	

Total liabilities as at 31 December 2019 shall be calculated as the total of lines 1595, 1695 and 1700 amounting to UAH 444,340 thousand (31 December 2018: UAH 479,460 thousand)

General Director

Chief Accountant

16 March 2020



S.V. Zayets

V.M. Sereda

The accompanying notes form an integral part of these financial statements.

Limited Liability Company "Gualapack Ukraine"
Financial Statements as at and for the year ended 31 December 2019
Income Statement (Statement of Comprehensive Income) for the year ended 31 December 2019

Entity	Limited Liability Company "Gualapack Ukraine"	Date (year, month, day)	CODES		
			2019	12	31
			EDRPOU 38958996		

Income statement
(Statement of Comprehensive Income)
For the year ended 31 December 2019

Form N 2

DKUD Code

1801003

I. FINANCIAL RESULTS

Item	Line Code	2019	2018	Note
1	2	3	4	5
Net revenue	2000	903,004	719,816	6
Cost of revenue	2050	(682,115)	(527,561)	
Gross:				
Profit	2090	220,889	192,255	
Loss	2095	-	-	
Other operating income	2120	45,756	3,292	8
Administrative expenses	2130	(38,656)	(24,788)	7
Distribution expenses	2150	(27,073)	(20,487)	
Other operating expenses	2180	(8,981)	(17,561)	8
Results from operating activities:				
Profit	2190	191,935	132,711	
Loss	2195	-	-	
Share of profit of equity accounted investees	2200	-	-	
Other finance income	2220	513	871	
Other income	2240	11,747	6,829	8
Finance costs	2250	(14,667)	(17,568)	
Share of loss of equity accounted investees	2255	-	-	
Other expenses	2270	-	-	
Financial result before tax:				
Profit	2290	189,528	122,843	
Loss	2295	-	-	
Income tax (expense) benefit	2300	(35,679)	(23,265)	9
Profit (loss) from discontinued operations after tax	2305	-	-	
Net financial result:				
Profit	2350	153,849	99,578	
Loss	2355	-	-	

The accompanying notes form an integral part of these financial statements.

II. COMPREHENSIVE INCOME

Item	Line Code	2019	2018	Note
1	2	3	4	5
Revaluation increase (decrease) on non-current assets	2400	-	-	
Revaluation increase (decrease) on financial instruments	2405	-	-	
Accumulated foreign currency translation differences	2410	-	-	
Share of other comprehensive income of associates and joint ventures	2415	-	-	
Other comprehensive income (loss)	2445	-	-	
Other comprehensive income (loss) before tax	2450	-	-	
Income tax related to other comprehensive income/ (loss)	2455	-	-	
Other comprehensive income (loss) after tax	2460	-	-	
Comprehensive income (loss) (total of lines 2350, 2355, and 2460)	2465	153,849	99,578	

III. OPERATING EXPENDITURES

Item	Line Code	2019	2018	Note
1	2	3	4	5
Materials	2500	472,677	419,145	
Salaries	2505	72,039	56,586	
Social charges	2510	13,656	10,185	
Depreciation and amortisation	2515	111,584	83,985	
Other operating expenditures	2520	75,797	50,785	
Total	2550	745,753	620,686	

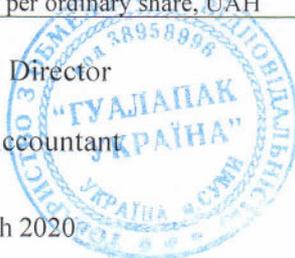
IV. EARNINGS PER SHARE

Item	Line Code	2019	2018	Note
1	2	3	4	5
Weighted-average annual number of ordinary shares	2600	-	-	
Adjusted weighted-average annual number of ordinary shares	2605	-	-	
Basic earnings (loss) per ordinary share, UAH	2610	-	-	
Diluted earnings (loss) per ordinary share, UAH	2615	-	-	
Dividend per ordinary share, UAH	2650	-	-	

General Director

Chief Accountant

16 March 2020



S.V. Zayets

V.M. Sereda

The accompanying notes form an integral part of these financial statements.

Limited Liability Company “Gualapack Ukraine”
Financial Statements as at and for the year ended 31 December 2019
Statement of Cash Flows (direct method) for the year ended 31 December 2019

Entity	Limited Liability Company “Gualapack Ukraine”	Date (year, month, day)	CODES			
			EDRPOU	2019	12	31
				38958996		

Statement of Cash Flows (direct method)
for the year ended 31 December 2019

Form N 3	DKUD Code	1801004
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Item	Line Code	2019	2018
1	2	3	4
I. Cash flows from operating activities			
Proceeds from:			
Sale of goods and services	3000	877,817	690,353
Taxes and duties refunded	3005	117,580	82,950
including VAT	3006	117,580	82,950
Target financing	3010	-	-
Proceeds from return of advances	3020	991	4,022
Proceeds from interest on balances on current accounts	3025	-	2
Operational lease	3040	755	554
Other proceeds	3095	1,259	1,075
Payments for:			
Purchase of goods and services	3100	(649,202)	(590,268)
Wages and salaries	3105	(57,934)	(40,574)
Social charges	3110	(14,918)	(10,523)
Taxes and duties paid	3115	(49,012)	(27,174)
including income tax paid	3116	(34,738)	(16,745)
Other taxes and duties paid	3118	(14,273)	(10,429)
Other payments	3190	(4,599)	(4,596)
Net cash flow from operating activities	3195	222,737	105,821
II. Cash flows from investing activities			
Proceeds from sale of:			
financial investments	3200	-	-
non-current assets	3205	-	143
Proceeds from:			
interests	3215	147	284
dividends	3220	-	-
Proceeds from derivatives	3225	-	-
Loans repayment	3230	-	-
Other proceeds	3250	9,368	-
Payments for acquisition of:			
financial investments	3255	-	-
non-current assets	3260	(122,259)	(168,712)

The accompanying notes form an integral part of these financial statements.

Limited Liability Company "Gualapack Ukraine"
Financial Statements as at and for the year ended 31 December 2019
Statement of cash flows (direct method) for the year ended 31 December 2019
(continued)

Item	Line Code	2019	2018
1	2	3	4
Payments on derivatives	3270	-	-
Loans provided	3275	-	-
Other payments	3290	-	-
Net cash flows used in investing activities	3295	(112,744)	(168,285)
III. Cash flows from financing activities			
Proceeds from:			
issue of share capital	3300	-	-
borrowings	3305	388,314	266,119
Other proceeds	3340	-	-
Payments:			
purchase of treasury shares	3345	-	-
repayment of borrowings	3350	(431,066)	(185,807)
dividends paid	3355	-	-
Interests paid	3360	(18,103)	(18,426)
Other payments	3390	-	-
Net cash flows from financing activities	3395	(60,855)	61,886
Net cash flows for the reporting period	3400	49,138	(578)
Cash and cash equivalents as at the beginning of the year	3405	7,008	10,011
Effect of movements in exchange rates on cash and cash equivalents	3410	(1,158)	(2,425)
Cash and cash equivalents at the year-end	3415	54,988	7,008

General Director

Chief Accountant

16 March 2020



S.V. Zayets

V.M. Sereda

The accompanying notes form an integral part of these financial statements.

Limited Liability Company “Gualapack Ukraine”
Financial Statements as at and for the year ended 31 December 2019
Statement of changes in equity for the year ended 31 December 2019

Entity	Limited Liability Company “Gualapack Ukraine”	Date (year, month, day) EDRPOU	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><th colspan="3">CODES</th></tr> <tr><td style="width: 33.33%;">2019</td><td style="width: 33.33%;">12</td><td style="width: 33.33%;">31</td></tr> <tr><td colspan="3" style="text-align: center;">38958996</td></tr> </table>	CODES			2019	12	31	38958996		
CODES												
2019	12	31										
38958996												

Statement of changes in equity
for the year ended 31 December 2019

Form N 4

DKUD Code

1801005

Item	Line Code	Share capital	Revaluation surplus	Additional capital	Reserve capital	Retained earnings	Unpaid capital	Capital with-drawals	Total
1	2	3	4	5	6	7	8	9	10
Balance as at 1 January 2018	4000	33,750	-	37	8,437	243,191	-	-	285,415
Adjustments for:									
Change of accounting policy	4005	-	-	-	-	-	-	-	-
Correction of errors	4010	-	-	-	-	-	-	-	-
Other changes	4090	-	-	-	-	-	-	-	-
Restated balance as at 1 January 2018	4095	33,750	-	37	8,437	243,191	-	-	285,415
Net profit for the reporting period	4100	-	-	-	-	99,578	-	-	99,578
Other comprehensive income for the reporting period	4110	-	-	-	-	-	-	-	-
Retained earnings distributed:									
Distributions to participants (dividends)	4200	-	-	-	-	-	-	-	-
Reinvestment in share capital	4205	-	-	-	-	-	-	-	-
Allocations to reserve capital	4210	-	-	-	-	-	-	-	-
Participants contributions:									
Contributions to share capital	4240	-	-	-	-	-	-	-	-
Repayment of capital obligations	4245	-	-	-	-	-	-	-	-
Capital distribution:									
Treasury shares (participatory interest) purchased	4260	-	-	-	-	-	-	-	-
Treasury shares (participatory interest) sold	4265	-	-	-	-	-	-	-	-
Annulment of purchased treasury shares (participatory interest)	4270	-	-	-	-	-	-	-	-
Capital withdrawals	4275	-	-	-	-	-	-	-	-
Other changes in equity	4290	-	-	-	-	-	-	-	-
Total changes in equity	4295	-	-	-	-	-	-	-	-
Balance as at 31 December 2018	4300	33,750	-	37	8,437	342,769	-	-	384,993

The accompanying notes form an integral part of these financial statements.

Limited Liability Company "Gualapack Ukraine"
Financial Statements as at and for the year ended 31 December 2019
Statement of changes in equity for the year ended 31 December 2019
 (continued)

Item	Line Code	Share capital	Revaluation surplus	Additional capital	Reserve capital	Retained earnings	Unpaid capital	Capital with-drawals	Total
1	2	3	4	5	6	7	8	9	10
Balance as at 31 December 2018	4000	33,750	-	37	8,437	342,769	-	-	384,993
Adjustments for:									
Change of accounting policy	4005	-	-	-	-	(685)	-	-	(685)
Correction of errors	4010	-	-	-	-	-	-	-	-
Other changes	4090	-	-	-	-	-	-	-	-
Restated balance as at 31 December 2018	4095	33,750	-	37	8,437	342,084	-	-	384,308
Net profit for the reporting period	4100	-	-	-	-	153,849	-	-	153,849
Other comprehensive income for the reporting period	4110	-	-	-	-	-	-	-	-
Retained earnings distributed:									
Distributions to participants (dividends)	4200	-	-	-	-	-	-	-	-
Reinvestment in share capital	4205	-	-	-	-	-	-	-	-
Allocations to reserve capital	4210	-	-	-	-	-	-	-	-
Participants contributions:									
Contributions to share capital	4240	-	-	-	-	-	-	-	-
Repayment of capital obligations	4245	-	-	-	-	-	-	-	-
Capital distribution:									
Treasury shares (participatory interest) purchased	4260	-	-	-	-	-	-	-	-
Treasury shares (participatory interest) sold	4265	-	-	-	-	-	-	-	-
Annulment of purchased treasury shares (participatory interest)	4270	-	-	-	-	-	-	-	-
Capital withdrawals	4275	-	-	-	-	-	-	-	-
Other changes in equity	4290	-	-	-	-	-	-	-	-
Total changes in equity	4295	-	-	-	-	153,849	-	-	153,849
Balance as at 31 December 2019	4300	33,750	-	37	8,437	495,933	-	-	538,157

General Director

Chief Accountant

16 March 2020



S.V. Zayets

V.M. Sereda

The accompanying notes form an integral part of these financial statements.

1. Reporting entity

(a) Organisation and operations

Limited Liability Company “Gualapack Ukraine” (hereinafter “the Company”) was established on 30 October 2013 under Ukrainian laws and has two Participants as at:

	31 December 2019	31 December 2018
Guala Pack S.p.a. (Italy)	60.00%	60.00%
PJSC “Technologiya”	40.00%	40.00%
Total	100.00%	100.00%

The Company commenced active production activity in September 2014.

The legal address and principal place of business of the Company is 147/4, Kurskyi av., 40031, Sumy, Ukraine.

The total number of employees as at 31 December 2019: 332 (31 December 2018: 297).

The main activity is production of “Cheerpack” pouches or general spouted pouches, selling and distribution of these goods. The key customers are located in the CIS region.

(b) Business environment

The Company’s operations are located in Ukraine. The political and economic situation in Ukraine has been subject to significant turbulence in recent years. Consequently, operations in the country involve risks that do not typically exist in other markets.

An armed conflict in certain parts of Lugansk and Donetsk regions, which started in spring 2014, has not been resolved and part of the Donetsk and Lugansk regions remains under control of the self-proclaimed republics, and Ukrainian authorities are not currently able to fully enforce Ukrainian laws on this territory. Various events in March 2014 led to the accession of the Republic of Crimea to the Russian Federation, which was not recognised by Ukraine and many other countries. This event resulted in a significant deterioration of the relationship between Ukraine and the Russian Federation.

After economic crisis in 2014-2015, the Ukrainian economy recovered considerably in the last couple of years, with a slowed down inflation, stable Hryvnia exchange rate, growing GDP and general revival in business activity.

In 2019, a new law on currency and currency transactions came into force. The new law abolished a number of restrictions, defined new principles of currency operations, currency regulation and supervision, and resulted in significant liberalisation of foreign currency transactions and capital movements. In particular, the requirement of mandatory sale of foreign currency proceeds on the interbank market was cancelled, while the settlement period for export-import transactions in foreign currency was increased considerably. Also, all restrictions on payment of dividends abroad were lifted.

The International Monetary Fund (the “IMF”) continued to support the Ukrainian government under the fourteen-month Stand-By Arrangement approved in December 2018. Other international financial institutions have also provided significant technical support in recent years to help Ukraine restructure its external debt and launch various reforms, including anticorruption, corporate law, land reform and gradual liberalization of the energy sector.

In 2019, following the presidential and parliamentary elections a new government was formed which aims to continue reforming the Ukrainian economy, stimulate economic growth and fight corruption.

In September 2019, S&P and Fitch upgraded Ukraine’s credit rating to B, with a stable outlook, and B, with a positive outlook, respectively, reflecting improved access to fiscal and external financing, macroeconomic stability and declining public indebtedness. Further stabilisation of economic and political environment depends, to a larger extent, on the continued implementation of structural reforms, cooperation with the IMF and refinancing of public debt falling due in the next years.

In addition, the first months of 2020 have seen significant global market turmoil triggered by the outbreak of the coronavirus. Together with other factors, this has resulted in a sharp decrease in the oil price and the stock market indices, as well as a depreciation of the Ukrainian Hryvnia and Russian Rouble. These developments are further increasing the level of uncertainty in the business environment.

Due to the fact that the biggest customer of the Company is Major counterparty 1 (Note 19), which is domiciled in the Russian Federation, which generated approximately 60% of total revenue of the Company, the abovementioned factors may carry significant influence on the operating activities of the Company in the near future.

Whilst management believes it is taking appropriate measures to support the sustainability of the Company’s business in the current circumstances, current unstable business environment could negatively affect the Company’s results and financial position in a manner not currently determinable. These financial statements reflect management’s current assessment of the impact of the Ukrainian business environment on the operations and the financial position of the Company. The future business environment may differ from management’s assessment.

2. Basis of accounting

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and the requirements of Ukrainian legislation on financial reporting.

3. Functional and presentation currency

The national currency of Ukraine is the Ukrainian hryvnia (“UAH”), which is the Company’s functional currency and the currency in which these financial statements are presented. All financial information presented in UAH has been rounded to the nearest thousand, except when otherwise indicated.

The principal UAH exchange rates used in the preparation of these financial statements are as follows:

Currency	Closing rate as at 31 December 2018	Closing rate as at 31 December 2019
USD	27.6883	23.6862
EUR	31.7141	26.4220
RUB	0.3983	0.3816
JPY	0.2509	0.21626

4. Changes in significant accounting policies

(a) IFRS 16 Leases

The Company initially applied IFRS 16 *Leases* from 1 January 2019.

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

As a lessee, the Company mostly leases vehicles for administrative use. The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of property the Company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Previously, the Company classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company’s incremental borrowing rate as at 1 January 2019. Right-of-use assets for all leases were measured by the Company at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases of low value assets; and
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application;

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 18.6%.

5. Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs 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 those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods

affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 23(g)(iii) – estimated useful lives of property, plant and equipment;
- Note 23(i) – presentation of participants’ interests in charter capital;
- Note 20 – contingencies;

Measurement of fair values

A number of the Company’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

6. Net revenue

(in thousands of Ukrainian hryvnias)

	2019	2018
“Cheerpack” pouches	539,693	513,892
Straws and caps	174,207	150,102
Laminate	167,279	43,441
Other	21,825	12,381
	903,004	719,816

Concentration of revenue earned from a major customer is disclosed in Note 19(b)(ii).

7. Administrative expenses

(in thousands of Ukrainian hryvnias)

	2019	2018
Salary and related charges	16,178	12,976
Consulting, audit and other professional services	12,251	2,319
Depreciation (Note 10)	6,109	3,174
Business travel expenses	1,693	1,770
Office and car rental costs	-	1,285
Bank fees	920	966
Fuel expenses	490	323
Other	1,015	1,975
	38,656	24,788

8. Foreign currency exchange gains (losses)

The majority of other operating income/expenses refer to foreign currency exchange gains (losses) recognised on revaluation of trade accounts receivable, cash and cash equivalents and trade accounts payable denominated in foreign currencies.

The majority of other income/expenses refer to foreign currency exchange gains (losses) recognised on revaluation of loans and borrowings denominated in foreign currencies.

Amounts attributable to foreign currency exchange gains (losses) during the years ended 31 December were recognised as part of the following captions:

(in thousands of Ukrainian hryvnias)

	2019	2018
Other income	11,747	6,829
Other operating expenses	-	(13,902)
Other operating income	34,172	-

9. Income tax expense

The applicable income tax rate in Ukraine is 18%. Income tax expense for the year ended 31 December are as follows:

(in thousands of Ukrainian hryvnias)

	2019	2018
Current tax expense	35,679	23,354
Deferred tax benefit	-	(89)
Total income tax expense	35,679	23,265

(a) Reconciliation of effective tax rate

The difference between the total expected income tax expense computed by applying the statutory income tax rate in Ukraine to the profit before taxation and the reported income tax expense is as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	2019	%	2018	%
Profit before income tax	189,528	100.00	122,843	100.00
Income tax expense at applicable tax rate	34,115	18.00	22,112	18.00
Permanent differences	1,564	0.62	1,153	0.94
Effective income tax expense	35,679	18.62	23,265	18.94

(b) Recognised deferred tax assets and liabilities

<i>(in thousands of Ukrainian hryvnias)</i>	Assets		Liabilities		Net	
	31 Decem-ber 2019	31 Decem-ber 2018	31 Decem-ber 2019	31 Decem-ber 2018	31 Decem-ber 2019	31 Decem-ber 2018
Trade accounts receivable	44	44	-	-	44	44
Trade accounts payable	-	-	(38)	(38)	(38)	(38)
Inventories	376	376	-	-	376	376
Total assets (liabilities)	420	420	(38)	(38)	382	382

10. Property, plant and equipment

<i>(in thousands of Ukrainian hryvnias)</i>	Land and buildings	Plant and equipment	Industrial and commercial equipment	Other as-sets	Construc-tion in progress	Right-of-use assets	Total
<i>Cost</i>							
Balance at 1 January 2019	182,397	380,168	21,267	9,150	91,979	-	684,961
Implementation of IFRS 16	-	-	-	-	-	2,922	2,922
Additions	-	-	3,357	2,104	149,436	6,413	161,310
Transfers	130,930	107,485	-	-	(238,415)	-	-
Disposals	-	(448)	(52)	(5)	-	-	(505)
Balance at 31 December 2019	313,327	487,205	24,572	11,249	3,000	9,335	848,688

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<i>(in thousands of Ukrainian hryvnias)</i>	Land and buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Construction in progress	Right-of-use assets	Total
Depreciation and impairment losses							
Balance at 1 January 2019	(12,572)	(136,428)	(6,109)	(3,791)	-	-	(158,900)
Depreciation for the year	(12,005)	(88,775)	(6,009)	(2,127)	-	(2,341)	(111,257)
Disposals	-	-	-	-	-	-	-
Balance at 31 December 2019	(24,577)	(225,203)	(12,118)	(5,918)	-	(2,341)	(270,157)
Carrying amounts							
At 1 January 2019	169,825	243,740	15,158	5,359	91,979	-	526,061
At 31 December 2019	288,750	262,002	12,454	5,331	3,000	6,994	578,531
Cost							
<i>(in thousands of Ukrainian hryvnias)</i>	Land and buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Construction in progress	Right-of-use assets	Total
Balance at 1 January 2018	168,266	327,772	13,954	4,835	13,857	-	528,684
Additions	-	-	7,313	4,343	144,651	-	156,307
Transfers	14,131	52,398	-	-	(66,529)	-	-
Disposals	-	(2)	-	(28)	-	-	(30)
Balance at 31 December 2018	182,397	380,168	21,267	9,150	91,979	-	684,961
Depreciation and impairment losses							
Balance at 1 January 2018	(3,805)	(67,140)	(1,312)	(2,835)	-	-	(75,092)
Depreciation for the year	(8,767)	(69,290)	(4,797)	(984)	-	-	(83,838)
Disposals	-	2	-	28	-	-	30
Balance at 31 December 2018	(12,572)	(136,428)	(6,109)	(3,791)	-	-	(158,900)
Carrying amounts							
At 1 January 2018	164,461	260,632	12,642	2,000	13,857	-	453,592
At 31 December 2018	169,825	243,740	15,158	5,359	91,979	-	526,061

Depreciation for the year has been recognised in the following captions:

<i>(in thousands of Ukrainian hryvnias)</i>	2019	2018
Cost of production	104,886	80,418
Administrative expenses (Note 7)	6,109	3,174
Distribution expenses	262	246
	111,257	83,838

As at 31 December 2019, property, plant and equipment with a carrying amount of UAH 189,743 thousand is pledged to secure loans and borrowings (as at 31 December 2018: UAH 183,147 thousand) (Note 17).

Capitalised borrowing costs related to the construction of new production line and air recuperating system amounted to UAH 3,549 thousand (2018: UAH 1,102 thousand), with a capitalisation rate of 20% (2018: 10.05%).

As at 31 December 2018, construction in progress was mainly presented by construction of air recuperating system, which was put into operation in July 2019.

11. Inventories

The majority of inventories presented in raw materials and consumables caption relates to polyethylene pieces used to produce “Cheerpack” pouches.

Work in progress caption relates to raw materials and consumables used in production, of which finished goods were not produced yet at respective reporting dates.

The majority of inventory presented in finished goods caption relates to “Cheerpack” pouches and caps produced by the Company.

Merchandise caption is represented by caps purchased for the purpose of further resale.

During the year ended 31 December 2019, write-down of inventories included in cost of sales amounted to UAH 7,337 thousand (2018: UAH 7,112 thousand).

12. Trade accounts receivable

Trade accounts receivable as at 31 December are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	31 December 2019	31 December 2018
Trade accounts receivable due from customers from the Russian Federation	84,546	117,646
Trade accounts receivable due from local customers	80,389	17,885
Trade accounts receivable due from customers from other countries	32,612	6,035
Total trade accounts receivable	197,547	141,566

The Company’s exposure to credit risk and impairment losses related to trade accounts receivable is disclosed in Note 19.

13. Other receivables: taxes

Taxes receivable are mainly represented by value added tax (“VAT”) recoverable. Management expects that current portion of VAT recoverable will be fully recovered during 2020.

14. Grant related balances

As at 31 December 2018, the Company recognised Grant receivable of UAH 15,304 thousand (included into balance sheet line 1155) and deferred income (included into balance sheet line 1525) under grant terms due from Global Environment Facility (“GEF”) for construction of air recuperating system.

During 2019, the Company complied with all respective Grant provisions and was entitled to a cash consideration of UAH 9,368 thousand. This amount was received at the end of December and is presented as cash in transit (Note 15) as at 31 December 2019. The difference between an amount initially estimated by management and actually received amount were offset against Grant receivable and deferred income under Grant accounts.

During the year ended 31 December 2019, there was no amortisation of deferred income under the Grant recognised as a reduction of depreciation charge of air recuperating system.

15. Cash and cash equivalents

Cash and cash equivalents as at 31 December are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	<u>31 December 2019</u>	<u>31 December 2018</u>
Current accounts	35,526	7,008
Cash in transit	19,462	-
Total cash and cash equivalents	54,988	7,008

As at 31 December 2019, cash in transit is presented by cash disbursements made by counterparties on 27 December 2019 and actually accounted for by the Company’s bank on the first working day - 3 January 2020. Those disbursements relate to Grant receivable balances and trade accounts receivable from different counterparties.

The Company’s exposure to credit risk and impairment losses related to cash and cash equivalents is disclosed in Note 19.

16. Equity

(a) Share capital

Participants in a limited liability company have voting, profit distribution, and capital repayment rights proportionally to the size of their contribution to the share capital, including the right of unilateral withdrawal of their share of the Company’s assets.

(b) Additional capital

Additional paid-in capital comprises cumulative contributions made by the owners of the Company without changes in the issued charter capital.

(c) Reserve capital

According to legislative requirements, reserve capital is formed in amount of up to 25% of the share capital of the Company by means of annual transfers of at least 5% of net profit to accumulate funds to finance partially the most risky activities of the Company, to cover losses which might have arisen during any force majeure circumstances, to pay penalties, fines and other contingent liabilities. Usage of Reserve capital for other purposes is subject to approval by the Participants' General Meeting. Net profit allocation to Reserve capital is decided annually based on the decisions of the Participants' General Meeting.

(d) Retained earnings

In accordance with the Ukrainian legislation, entities can distribute all statutory profits as dividends or transfer them to reserves as specified in their charters. Subsequent use of amounts transferred to reserves may be legally restricted; amounts transferred to reserves typically must be used for the purpose designated when the transfer is made. Profit distributions by the Company are normally only declared from current or retained earnings as shown in the financial statements and not out of amounts previously transferred to reserves.

(e) Capital management

The Company has no formal policy for capital management but management seeks to maintain a sufficient capital base for meeting the Company's operational and strategic needs, and to maintain confidence of market participants. This is achieved with efficient cash management, constant monitoring of Company's revenues and profit, and long-term investment plans. With these measures the Company aims for steady profit growth.

17. Loans and borrowings

This note provides information about the contractual terms of the Company’s interest-bearing loans and borrowings. For more information about the Company’s exposure to interest rate, foreign currency and liquidity risks, see Note 19.

As at 31 December 2019, the terms and debt repayment schedule of loans and borrowings are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	Currency	Nominal inter- est rate	Effective in- terest rate	Year of maturity	Carrying value
<i>Non-current liabilities</i>					
Ukrainian bank	EUR	5.50%	5.50%	2021	17,615
EBRD	EUR	3.5%	3.5%	2025	76,142
Total non-current loans and borrowings					93,757
<i>Current liabilities</i>					
Ukrainian bank	UAH	15.75%	15.75%	2020	29,584
Ukrainian bank	UAH	15.75%	15.75%	2020	29,541
Ukrainian bank	UAH	18.00%	18.00%	2020	12,778
Total short-term loans and borrowings					71,903
EBRD	EUR	3.50%	3.50%	2020	15,228
Ukrainian bank	EUR	5.50%	5.50%	2020	26,422
Total current portion of long-term liabilities					41,650
Total current loans and borrowings					113,553
Total					207,310

As at 31 December 2018, the terms and debt repayment schedule of loans and borrowings were as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	Currency	Nominal inter- est rate	Effective in- terest rate	Year of maturity	Carrying value
<i>Non-current liabilities</i>					
Ukrainian bank	EUR	5.50%	5.50%	2020-2021	52,857
EBRD	EUR	3.5%	3.94%	2025	78,178
Total non-current loans and borrowings					131,035
<i>Current liabilities</i>					
Ukrainian bank	UAH	18.00%	18.00%	2019	26,988
Ukrainian bank	UAH	18.00%	18.00%	2019	19,998
Ukrainian bank	UAH	21.00%	21.00%	2019	5,000
Total short-term loans and borrowings					51,986
EBRD	EUR	3.50%	3.50%	2019	47,571
Interest bearing loan from participant	EUR	6.00%	6.00%	2019	16,698
Ukrainian bank	EUR	5.50%	5.50%	2019	31,714
Total current portion of long-term liabilities					95,983
Total current loans and borrowings					147,969
Total					279,004

As at 31 December 2019, property, plant and equipment with a carrying amount of UAH 189,743 thousand is pledged to secure the Company’s obligations under loans and borrowings (as at 31 December 2018: UAH 183,147 thousand).

Two loans from Ukrainian banks are guaranteed by the Company’s Participants.

18. Trade payables

Trade accounts payable as at 31 December are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	31 December 2019	31 December 2018
Long-term trade accounts payable to related parties (included into balance sheet line 1515)	-	2,706
Long-term trade accounts payable to third parties (included into balance sheet line 1515)	5,649	-
Total non-current trade accounts payable	5,649	2,706
Trade accounts payable to third parties	63,093	87,576
Trade accounts payable to related parties	131,419	73,816
Total current trade accounts payable	194,512	161,392
Total	200,161	164,098

The Company’s exposure to liquidity risk related to trade payables is disclosed in Note 19.

19. Fair values and risk management

(a) Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk.

This note presents information about the Company’s exposure to each of the above risks, the Company’s objectives, policies and processes for measuring and managing risk, and the Company’s management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

Management has overall responsibility for the establishment and oversight of the Company’s risk management framework. Board of Directors, together with the Participants, oversees how management monitors compliance with risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks.

The Company’s risk management policies are established to identify and analyse the risks faced by the Company to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company’s activities.

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from receivables from customers.

(i) **Exposure to credit risk**

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

(ii) **Trade accounts receivable**

The Company’s exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of the Company’s customer base, including the default risk of the industry and country, in which customers operate, particularly in the deteriorating economic circumstances.

Revenue and trade accounts receivable from major counterparties of the Company are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	Revenue	%	Trade accounts receivable	%	Jurisdiction
Major counterparty 1	540,600	60	84,233	43	Russian Federation
Major counterparty 2	54,686	6	37,657	19	Ukraine
Major counterparty 3	47,327	5	22,412	11	Republic of Belorussia
Other insignificant counterparties	260,391	29	53,245	27	Numerous
Total	903,004	100	197,547	100	

As at 31 December 2019, trade accounts receivable in the amount of UAH 37,728 thousand (all from Major counterparty 1) are overdue up to 30 days, but not impaired (31 December 2018: UAH 35,471 thousand). All overdue balances as at 31 December 2019 were settled in January 2020.

The Company used internally calculated credit ratings for the purpose of estimating ECL for customers balances, those rating were derived based on the generally accepted methodology for such calculations.

(iii) **Cash and cash equivalents**

The Company held cash and cash equivalents of UAH 54,988 thousand at 31 December 2019 (as at 31 December 2018: UAH 7,008 thousand), which represents its maximum credit exposure on these assets.

The long-term credit ratings of banks at which cash and cash equivalents are held as at 31 December by Moody’s or its equivalent are presented below:

<i>(in thousands of Ukrainian hryvnias)</i>	31 December 2019	31 December 2018
Ratings:		
Caa1	40,193	5,607
Not rated	14,795	1,401
	54,988	7,008

(c) **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities settled by delivering cash or another financial asset. The Company’s approach to managing liquidity is to ensure, to the maximum extent possible, that it will

always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company’s reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments, as at 31 December:

<i>(in thousands of Ukrainian hryvnias)</i>	Carrying amount	Contractual cash flows	Less than 1 year	From 1 to 5 years	More than 5 years
31 December 2019					
<i>Non-derivative financial liabilities</i>					
Loans and borrowings (as disclosed in note 17)	207,310	228,383	126,039	102,344	-
Trade payables (as disclosed in note 18)	200,161	200,161	194,512	5,649	-
	407,471	428,544	320,551	107,993	-
31 December 2018					
<i>Non-derivative financial liabilities</i>					
Loans and borrowings (as disclosed in note 17)	279,004	292,715	143,904	135,308	13,503
Trade payables (as disclosed in note 18)	164,098	164,098	161,392	2,706	-
	443,102	456,813	305,296	138,014	13,503

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company’s income or the carrying value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Company’s exposure to applicable market risks is presented below.

(i) Currency risk

The Company is primarily exposed to currency risk through loans and borrowings that are denominated in euro (“EUR”) and trade accounts receivable denominated in Russian roubles (“RUB”).

Exposure to currency risk

The Company is exposed to currency risk to the extent that there is a mismatch between currencies in which sales, purchases and borrowings are denominated and the functional currency of the Company. The Company has primary exposure to the EUR, RUB and USD exchange rate fluctuations.

In respect of monetary assets and liabilities denominated in foreign currencies, the Company’s policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The exposure to foreign currency risk is as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	31 December 2019			31 December 2018		
	EUR	USD	RUB	EUR	USD	RUB
Trade and other accounts receivable	40,407	-	84,233	10,990	-	116,456
Cash and cash equivalents	7,697	9,368	23,836	2,094	-	3,469
Long-term bank loans	(93,757)	-	-	(133,678)	-	-
Other non-current liabilities	-	-	-	(2,706)	-	-
Short-term loans	-	-	-	(47,571)	-	-
Current portion of long-term liabilities	(41,650)	-	-	(45,769)	-	-
Trade and other accounts payable	(108,464)	(11,454)	(8,899)	(96,064)	(6,053)	(10,606)
Net (short) long position	(195,767)	(2,086)	(99,170)	(312,704)	(6,053)	109,319

Sensitivity analysis

A change of UAH exchange rates, as indicated below, against the EUR, RUB and USD at the reporting dates would have (decreased)/increased Company’s profit by the amounts presented below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of each reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for the prior period reporting date.

<i>(in thousands of Ukrainian hryvnias)</i>	Change of foreign currency rate		Effect on net profit	
	Increase	Decrease	Decrease	Increase
31 December 2019				
EUR	10%	-10%	(16,053)	16,053
RUB	10%	-10%	(171)	171
USD	10%	-10%	(8,132)	8,132
31 December 2018				
EUR	10%	-10%	(25,642)	25,642
RUB	10%	-10%	8,964	(8,964)
USD	10%	-10%	(496)	496

(ii) Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). At the time of raising new borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Company over the expected period until maturity. The information about maturity dates and interest rates of loans and borrowings (all bear fixed rates) is disclosed in Note 17.

The Company does not account for any fixed-rate financial instruments as fair value through profit or loss or as fair value through other comprehensive income. Therefore a change in interest rates at the reporting date would not have an effect on profit or loss or on equity.

(e) **Fair values**

Management believes that for all the financial assets and liabilities the carrying value approximates the fair value as at 31 December 2019 and 2018.

(f) **Reconciliation of movements of liabilities to cash flows arising from financing activities**

<i>(in thousands of Ukrainian hryvnias)</i>	Loans and borrowings
At 1 January 2018	203,896
Changes from financing cash flows	
Proceeds from loans and borrowings	266,119
Repayment of loans and borrowings	(185,807)
Interest paid	(18,426)
Total changes from financing cash flows	61,886
The effect of changes in foreign exchange rates	(5,309)
Other changes	
Interest expense on loans and borrowings	17,429
Capitalised borrowing costs	1,102
Total other changes	18,531
At 31 December 2018	279,004
Changes from financing cash flows	
Proceeds from loans and borrowings	388,314
Repayment of loans and borrowings	(431,066)
Interest paid	(18,103)
Total changes from financing cash flows	(60,855)
The effect of changes in foreign exchange rates	(28,942)
Other changes	
Interest expense on loans and borrowings	14,554
Capitalised borrowing costs	3,549
Total other changes	18,103
At 31 December 2019	207,310

20. Contingencies

(a) **Taxation contingencies**

The Company performs most of its operations in Ukraine and therefore within the jurisdiction of the Ukrainian tax authorities. The Ukrainian tax system can be characterized by numerous taxes and frequently changing legislation which may be applied retroactively, open to wide interpretation and in some cases are conflicting. Instances of inconsistent opinions between local, regional, and national tax authorities and between the Ministry of Finance and other state authorities are not unusual. Tax declarations are subject to review and investigation by a number of authorities that are enacted by law to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years, however under certain circumstances a tax year may remain open longer.

These facts create tax risks substantially more significant than typically found in countries with more developed systems. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

(b) Litigations

The Company is subject to several legal actions and claims in a normal course of business. Management believes that it is unlikely that a significant settlement or loss of assets will arise out of these and perspective lawsuits and no respective provision is required in the Company’s financial statements as at the reporting dates.

21. Related parties

(a) Control relationship

The party with ultimate control over the Company is Guala Pack S.p.a. (Italy). The ultimate beneficiary of Guala Pack S.p.a. (Italy) is Mr. Roberto Guala. No publicly available financial statements are produced by the Guala Pack S.p.a. (Italy).

PJSC “Technologiya” has significant influence on the Company with the stake of 40% of the Company’s share capital. The ultimate beneficiary of PJSC “Technologiya” is Mr. Volodymyr Zayets.

PJSC “Technologiya” publishes financial statements prepared following the requirements of International Financial Reporting Standards (IFRS).

(b) Transactions with key management personnel

Remuneration to key management personnel for the year ended 31 December 2019 is represented by salaries and bonuses payable in cash amounting to UAH 5,501 thousand (2018: UAH 4,420 thousand).

The key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company.

(c) Transactions and balances with parent company

(in thousands of Ukrainian hryvnias)

	Outstanding balances	
	31 December 2019	31 December 2018
Current assets		
Trade accounts receivable and other receivables	6,416	6,549
Non-current liabilities		
Current liabilities		
Loans and borrowings	-	(64,269)
Trade accounts payable, other payables and current provisions	-	(21,778)

(in thousands of Ukrainian hryvnias)

	Transactions for the years ended	
	31 December 2019	31 December 2018
Revenue	10,018	13,194
Purchases	(62,702)	(37,544)
Loans received	-	47,571
Loans repaid	(60,125)	(33,546)
Finance costs, including capitalised borrowing costs	916	3,155
Interest paid	(1,462)	(3,016)

(d) Transactions and balances with other related parties

(in thousands of Ukrainian hryvnias)

	Outstanding balances	
	31 December 2019	31 December 2018
Current assets		
Trade accounts receivable and other receivables	1,754	506
Non-current liabilities		
Other non-current liabilities	-	(2,706)
Current liabilities		
Trade accounts payable and other payables	(60,599)	(51,617)

(in thousands of Ukrainian hryvnias)

	Transactions for the years ended	
	31 December 2019	31 December 2018
Revenue	6,655	3,666
Purchases	(197,478)	(112,807)

22. Basis of measurement

The financial statements have been prepared on the historical cost basis.

23. Significant accounting policies

The accounting policies set out below have been applied consistently in all reporting periods presented in these financial statements except for application of amendments, which are effective for annual periods beginning on or after 1 January 2019. The nature and the effect of these changes are disclosed in Note 4.

(a) Revenue

The Company generates revenue from sale of “cheerpack” pouches, straws and caps, etc.

Company defines the contract with the customer as an agreement between two or more parties that creates enforceable rights and obligations, where customer is a party that has contracted with an entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration. Enforceability of the rights and obligations in a contract is a matter of law. Most of

the contracts of the Company are concluded in written form.

(i) Sale of goods

Revenue is measured based on the consideration promised in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control over a product or service to a customer. Revenue is presented net of refunds expected and discounts granted to customers.

The Company sells goods using the contracts with different terms of delivery and terms of transfer of risks and rewards.

The Company recognizes sales of goods when a customer obtains control of them. The indicators that control has passed are assessed by the management for each contract and include the customer having:

- a present obligation to pay;
- physical possession;
- legal title;
- the risks and rewards of ownership; and
- accepted the asset.

For contracts that permit the customer to return an item, revenue is recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue will not occur. Therefore, the amount of revenue recognized is adjusted for expected returns, which are estimated based on the historical data for specific types of products.

For the majority of its sales of goods, the Company transfers control and recognizes a sale once the goods have been placed at the customer's disposal at the specified location, the customer is then responsible for all costs and risks related to the goods. Related shipping and handling activities occur before control of the goods has been transferred to the customer and no separate performance obligation in respect of shipping and handling activities is recognized.

The Company determined that there is one performance obligation under contracts with customers on sale of goods. Performance obligation under these contracts is satisfied when goods are dispatched to particular location provided by contracts under applicable incoterms.

(ii) Financing component

The Company does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. So, as a practical expedient, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if the Company expects, at contract inception, that the period between when the Company transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

(b) Finance income and costs

Finance income comprises interest income on funds invested and is recognised as it accrues in profit or loss, using the effective interest method. Finance costs comprise interest expense on financial liabilities measured at amortised cost.

Borrowing costs, directly attributable to purchase, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur

using the effective interest method. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(c) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising in translation are recognised in profit or loss.

Foreign currency exchange gains and losses on revaluation of trade accounts receivable, cash and cash equivalents and trade accounts payable denominated in foreign currencies are reported on a net basis as either other operating income, or other operating expense depending on whether foreign currency movements are in a net gain, or net loss position.

Foreign currency exchange gains and losses on revaluation of loans and borrowings denominated in foreign currencies are reported on a net basis as either other income, or other expense depending on whether foreign currency movements are in a net gain, or net loss position.

(d) Employee benefits

The Company makes contributions for the benefit of employees to the State Fiscal Authorities of Ukraine that are responsible for administration of such benefits.

Those amounts comprise defined contribution plans and are recognised as an employee benefit expense in profit or loss, when they are due. The Company has no further payment obligations once the contributions have been paid. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The Company has no other liabilities in respect of pensions or employee retirement benefits.

In addition, a liability is recognised for the amount expected to be paid under cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(e) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss for the period when the transactions which gave rise thereto are recognised.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax

Deferred tax is recognised for the estimated future tax effects of temporary differences and tax loss carry-forwards.

Temporary difference is the difference between the tax carrying amount of an asset or liability and its carrying amount in the financial statement that will result in taxable or deductible amounts in future periods when the carrying amount is recovered or settled.

Deferred tax liabilities are the amount of tax, which will have to be paid in future periods due to a temporary timing difference between the carrying value and the tax base of an asset or a liability. Deferred tax assets are the amount of tax recoverable in future periods in respect of:

- Deductible temporary timing differences;
- The carry-forward of unused tax losses.

Timing differences originate in one period and reverse in one or more subsequent periods. Examples include the tax effect of accelerated depreciation, deductibility of provisions and recognition of bad debts.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(g) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment, except for land are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its estimated residual value.

Depreciation is generally recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of significant Company's of property, plant and equipment for the current and comparative periods are as follows:

- Buildings and constructions 8-33 years;
- Plant and equipment 4-14 years;
- Motor vehicles 4-10 years;
- Office equipment and furniture 2-5 years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(iv) Pledge of assets

In case certain items of property, plant and equipment are pledged to a bank/other creditor in order to grant for the reimbursement of the loan/financing, respective information is disclosed in the notes to the financial statements.

(h) Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognized when they are originated.

All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(ii) Classification and subsequent measurement of financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Company's financial assets comprise trade and other receivables and cash and cash equivalents and are classified into the financial assets at amortised cost category. These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Cash and cash equivalents comprise cash balances, call deposits and highly liquid investments with maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value.

(iii) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it meets the definition of held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss (except for the part of the fair value change that is due to changes in the Company’s own credit risk, that is recognised in other comprehensive income).

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

The Company measures all of its financial liabilities at amortized cost.

(iv) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Company currently has a legally enforceable right to set off and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Company currently has a legally enforceable right to set off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the Company and all counterparties.

(i) Equity

The Company was incorporated as a limited liability company, implying that each of the participants has a legally enforceable right to claim the withdrawal of its interest from the Company. In this case, the Company is obligated to repay the amount of such interest within twelve months after the date of the claim.

The amendment *Puttable Financial Instruments and Obligations Arising on Liquidation* to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements* require participants' interests in limited liability companies to be classified as equity, rather than liabilities, if, along with other criteria, the total expected cash flows attributable to the instrument over the life of the instrument are based substantially on the profit or loss, change in the recognised net assets or change in the fair value of the recognised and unrecognized net assets over the life of the instrument, and there are no other instruments issued that have cash flows based substantially on the above items or restrict or fix the residual return to the puttable instrument holders. In the view of management, the above criteria are met.

Management concluded that although the participants’ interests in the Company have some characteristics that are similar to financial liabilities, they represent residual interest in the Company and comply with all criteria for recognition of equity instruments under IFRS and as such are presented as equity as at 31 December 2019 and 2018.

(j) Impairment

(i) Impairment - Financial assets

The Company uses 'expected credit loss' (ECL) model. This impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

The financial assets at amortised cost consist of trade receivables and cash and cash equivalents.

Loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECLs.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with 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

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment losses on financial assets are presented under 'finance costs' and not presented separately in the statement of profit or loss and OCI due to materiality considerations.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Company’s corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (Group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (Group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(l) Leases

(i) Policy applicable before 1 January 2019

Assets held by the Company under leases that transfer to the Company substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Company’s statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(ii) Policy applicable from 1 January 2019

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company’s estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property as a separate line item in the statement of financial position and lease liabilities in “lease liabilities” and “trade and other payables” in the consolidated statement of financial position.

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee, based on the period for which the contract is enforceable. The Company considers that enforceability of the lease is established by the written contract (including penalty clauses) in combination with applicable legislation related to renewal or termination rights (specifically the lessee's preferential rights to renew the lease) and other lease and non-lease agreements concluded, which may influence the economic decision to renew or terminate. As a consequence, for the leases where the Company has a right to terminate lease agreements management believes that there is a reasonable certainty that those lease agreements will not be terminated until the end of non-cancellable period per agreements. Thus, lease term is determined by reference to non-cancellable period of relevant lease agreements.

(m) Grants

The Company recognises grants when management has reasonable assurance that the entity will comply with the relevant conditions and the grant will be received.

For grants provided for acquisition of property, plant and equipment, the Company chooses to present both cost of respective assets and deferred income on gross basis. The respective deferred income is amortised over useful life of related assets and recognised as reduction of depreciation expenses in the cost of revenue.

24. Subsequent events

There have been no subsequent events that could have had a significant impact on the Company's financial statements.

These financial statements were approved by management on 16 March 2020 and were signed on its behalf by:

General Director

S.V. Zayets



A handwritten signature in blue ink, appearing to be "S.V. Zayets".

Chief Accountant

V.M. Sereda