



**Ukrproduct Group**

**Condensed consolidated interim financial statements**

**For the six months ended 30 June 2019**



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## Chairman and Chief Executive Statement

The Ukrainian economy grew modestly in the first half of 2019 year. Retail sales growth gained momentum in the second quarter of 2019, bolstered by rising wages, while favourable weather conditions contributed to strong domestic demand towards the end of the quarter. As a result, the Group's operations improved domestically. Signs of weakness continued to linger in the industrial sector, where production contracted notably in June, however, this had little impact on the trading of the Group.

Despite concerns regarding the global economy and the uncertainty that the presidential and parliamentary elections in Ukraine brought, the Board considers that the overall results of the Group in first half of 2019 surpassed its expectations.

## Trading

During the six months to 30 June 2019, revenue increased by 50% compared to the previous period. The main drivers of revenue growth were butter, beverages and processed cheese. The Company estimates that Ukrproduct's butter market share in Ukraine has increased by approximately 3% to 10.1% when comparing H1 2019 with H1 2018, whilst market share in processed cheese and processed cheese products has decreased by approximately 0.3% to 8.5% when comparing H1 2019 with H1 2018. However, in the first half of 2019, Ukrproduct became the top exporter of processed cheese in Ukraine. Hard cheese sales decreased by 2%, whilst sales of bulk & packaged spreads increased by 17%. Gross margins have increased given both increased sales volumes and the seasonal fall in milk prices in Ukraine. Sales of kvass beverage improved, driven by an active marketing strategy and the launch of a new product containing natural ingredients of juice and mint: Mojito.

Export sales increased due to rising export sales in supplementary products, however, export sales of packaged butter and spreads decreased overall. Skimmed milk products exports continue to decline as a result of worldwide prices being lower than domestic market prices.

The Group continues to expand export sales into non-dairy products – beverages and other food commodities.

## Financial Position

Overall, the aforementioned factors resulted in the sizeable year-on-year increase in the Group's EBITDA and operating profit for the first half of 2019. Operating cash-flow was substantially improved during the period. In the first half of 2019, the Group's revenue increased significantly over the same period last year, with average gross margin improving by 0.3%. The Group earned profit after tax of £740 000 (approximately 25.8 million UAH) for the period, which is an increase of £332 000 (approximately 11.6 million UAH) over the same period last year.

As at 30 June 2019, the Group had total liabilities of GBP 16.8 million (approximately 557.4 million UAH) and net assets of GBP 1.3 million (approximately 43.1 million UAH) with cash balances of GBP 0.2 million (approximately 6.6 million UAH). During the period, the Company made an interest payment of €79 760 to EBRD.

## Outlook

Ukrproduct continues to pursue growth opportunities in beverages and export markets, whilst improving the cost and service efficiency of the supply chain. Despite continuing political risks in Ukraine, the Company is hopeful that its performance in the first half of 2019 will continue throughout the remainder of the year.



Jack Rowell

Non-Executive Chairman



Alexander Slipchuk

Chief Executive Officer

**Statement of Management's Responsibilities  
for preparation and approval of condensed consolidated interim financial statements for the six  
months ended 30 June 2019**

The directors are responsible for the preparation of the condensed consolidated interim financial statements in accordance with applicable Jersey law and other regulations and enactments in force at the time. The Companies (Jersey) Law 1991 as amended requires the directors to prepare financial statements for each year in accordance with Generally Accepted Accounting Principles.

The directors of the Group are responsible for preparing the condensed consolidated interim financial statements which reflect in all material aspects the financial position of the Group as at 30 June 2019, as well as the results of its activities, cash flows and changes in equity for the six months then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

In preparing condensed consolidated interim financial statements the Group's Management is responsible for:

- selecting appropriate accounting policies and their consistent application;
- making reasonable measurement and calculation;
- following principles of IFRS as adopted by the European Union or disclosing all considerable deviations from IFRS in the notes to condensed consolidated interim financial statements;
- preparing condensed consolidated interim financial statements of the Group on the going concern basis, except for the cases when such assumption is not appropriate.

The board of directors confirms that the Group has complied with the abovementioned requirements in preparing its consolidated interim financial statements.

The directors are also responsible for:

- implementing and maintaining an efficient and reliable system of internal controls in the Group;
- keeping accounting records in compliance with the legislation and accounting standards of the respective country of the Group's registration;
- taking reasonable steps within its cognizance to safeguard the assets of the Group;
- detecting and preventing from fraud and other irregularities.

These condensed consolidated interim financial statements as at 30 June 2019 prepared in compliance with IFRS as approved by the European Union are approved on behalf of the Group's Directors on 30 August 2019.



On behalf of the Directors:

30 August 2019

## Management Statements

This statement is provided to confirm that, to the best of our knowledge, the condensed consolidated interim financial statements for the six months ended 30 June 2019, and the comparable information, have been prepared in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and as adopted by the European Union and give a true, fair and clear view of Group's assets, financial standing and net results.



On behalf of the Directors:

30 August 2019

## Single Management Report

### 1. Operational and Financial Results

The following table sets forth the Group's results of operations derived from the condensed consolidated interim financial statements:

	Six months ended 30 June 2019	Six months ended 30 June 2018	Changes in
	£ '000	£ '000	%
Revenue	22 236	14 827	50%
Cost of sales	(20 310)	(13 583)	50%
<b>GROSS PROFIT</b>	<b>1 926</b>	<b>1 244</b>	<b>55%</b>
Administrative expenses	(534)	(534)	0%
Selling and distribution expenses	(943)	(842)	12%
Other operating expenses	(53)	(55)	-4%
<b>PROFIT / (LOSS) FROM OPERATIONS</b>	<b>396</b>	<b>(187)</b>	<b>312%</b>
Net finance expenses	(265)	(231)	15%
Net foreign exchange gain	592	793	-25%
<b>PROFIT BEFORE TAXATION</b>	<b>723</b>	<b>375</b>	<b>93</b>
Income tax credit	17	33	-48%
<b>PROFIT FOR THE SIX MONTHS</b>	<b>740</b>	<b>408</b>	<b>81%</b>
<b>Attributable to:</b>			
Owners of the Parent	740	408	81%
Non-controlling interests	-	-	
Earnings per share:			
Basic (pence)	1,86	1,03	
Diluted (pence)	1,86	1,03	
<b>OTHER COMPREHENSIVE INCOME:</b>			
<b>Items that may be subsequently reclassified to profit or loss</b>			
Currency translation differences	(332)	(170)	95%
<b>Items that will not be reclassified to profit or loss</b>			
Gain on revaluation of property, plant and equipment	-	-	
Income tax in respect of revaluation reserve	-	-	
<b>OTHER COMPREHENSIVE INCOME, NET OF TAX</b>	<b>(332)</b>	<b>(170)</b>	<b>95%</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE SIX MONTHS</b>	<b>408</b>	<b>238</b>	<b>71%</b>
<b>Attributable to:</b>			
Owners of the Parent	408	238	71%
Non-controlling interests	-	-	

## Non-IFRS financial information

The Group's results are reported under International Financial Reporting Standards (IFRS). However, the Group uses Non-IFRS measures including Earnings before interest and taxes (EBIT) and Earnings before interest, taxes, depreciation and amortisation (EBITDA), which are used to measure segment performance. Non-IFRS measures have not been subject to audit or review.

The Group uses EBIT and EBITDA as key measures of its performance.

EBIT is an indicator of a company's profitability, calculated as revenue less expenses, the latter excluding tax and interest. To external users, EBIT provides information on the Group's ability to generate earnings directly from its operations, disregarding its cost of capital and the tax burden and thus making the Group's results comparable to similar companies across the industry where those companies may have varying capital structures or tax environments. To the management, EBIT provides a performance measure additionally adjusted for expenses that may be deemed fixed (i.e. stemming from the given capital structure) or externally imposed by the environment (i.e. the tax burden).

	Six months ended 30 June 2019	Six months ended 30 June 2018
	£ '000	£ '000
<b>CONTINUING OPERATIONS</b>		
Net profit (loss) for the period	396	(187)
Interest expenses	(265)	(231)
Foreign currency exchange (loss)/gain, net	592	793
<b>EBIT</b>	<b>723</b>	<b>375</b>

EBITDA is calculated as revenue less expenses, the latter excluding tax, interest, depreciation and amortisation. Being a proxy to the operating cash flow before working capital changes, EBITDA is widely used as an indicator of a company's ability to generate cash flows, as well as its ability to service debt. Consequently, to the management EBITDA serves as a measure to estimate financial stability of the Group. Besides, excluding the effect of depreciation and amortisation along with cost of capital and taxation provides to external users another measure comparable to similar companies regardless of varying tax environments, capital structures or depreciation accounting policies.

	Six months ended 30 June 2019	Six months ended 30 June 2018
	£ '000	£ '000
<b>CONTINUING OPERATIONS</b>		
Net profit (loss) for the period	396	(187)
Depreciation and amortisation	278	258
<b>EBITDA</b>	<b>674</b>	<b>71</b>



## Revenue

The Group's revenue from sales of finished products increased by 50% in the first half of 2019 in comparison with previous period.

The most significant portion of the Group's revenue comes from selling packaged butter and supplementary products, which represented 57.2% in the first half of 2019 and 45.9% in first half of 2018 of total revenue for the relevant periods.

## Cost of sales

The Group's cost of sales increased to GBP 20.3 million in the current period from GBP 13.6 million in previous period. The following table sets forth the principal components of the Group's cost of sales for the periods indicated:

	Six months ended 30 June 2019	Six months ended 30 June 2018	Changes in
	£ '000	£ '000	%
Raw materials	11 787	9 926	19%
Supplementary products	5 951	-	0%
Manufacturing overhead	1 016	858	18%
Fuel and energy supply	620	610	2%
Wages and salaries	552	462	19%
Transport	532	486	9%
Depreciation and amortization	135	103	31%
Other expenses	84	1 341	-94%
Adjustments	(367)	(203)	81%
	<b>20 310</b>	<b>13 583</b>	<b>50%</b>

## Gross profit/(loss)

The Group's gross profit increased to GBP 1.9 million in the current period from GBP 1.2 million of gross profit in previous the period.

## Selling and distribution expenses

Selling and distribution expenses increased year-on-year to GBP 0.9 million in the current period from GBP 0.8 million in the previous period, reflecting an increase in sales volume and delivery costs in 2019.

## Net foreign exchange gain

Foreign currency exchange, net decrease to a gain of GBP 0.6 million in the current period from a gain of GBP 0.8 million in the previous period.

**Ukrproduct Group**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**  
*(in thousand GBP, unless otherwise stated)*

	Note	Six months ended 30 June 2019 £ '000	Six months ended 30 June 2018 £ '000
Revenue	8	22 236	14 827
Cost of sales		(20 310)	(13 583)
<b>GROSS PROFIT</b>		<b>1 926</b>	<b>1 244</b>
Administrative expenses		(534)	(534)
Selling and distribution expenses		(943)	(842)
Other operating expenses		(53)	(55)
<b>PROFIT / (LOSS) FROM OPERATIONS</b>		<b>396</b>	<b>(187)</b>
Net finance expenses		(265)	(231)
Net foreign exchange gain		592	793
<b>PROFIT BEFORE TAXATION</b>		<b>723</b>	<b>375</b>
Income tax credit		17	33
<b>PROFIT FOR THE SIX MONTHS</b>		<b>740</b>	<b>408</b>
<b>Attributable to:</b>			
Owners of the Parent		740	408
Non-controlling interests		-	-
Earnings per share:			
Basic (pence)	9	1,86	1,03
Diluted (pence)	9	1,86	1,03
<b>OTHER COMPREHENSIVE INCOME:</b>			
<b>Items that may be subsequently reclassified to profit or loss</b>			
Currency translation differences		(332)	(170)
<b>Items that will not be reclassified to profit or loss</b>			
Gain on revaluation of property, plant and equipment		-	-
Income tax in respect of revaluation reserve		-	-
<b>OTHER COMPREHENSIVE INCOME, NET OF TAX</b>		<b>(332)</b>	<b>(170)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE SIX MONTHS</b>		<b>408</b>	<b>238</b>
<b>Attributable to:</b>			
Owners of the Parent		408	238
Non-controlling interests		-	-

**Ukrproduct Group**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2019**  
*(in thousand GBP, unless otherwise stated)*

	Note	As at 30 June 2019 £ '000	As at 31 December 2018 £ '000	As at 30 June 2018 £ '000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment		6 663	6 420	6 701
Intangible assets		504	524	523
Deferred tax assets		-	-	2
		<b>7 167</b>	<b>6 944</b>	<b>7 226</b>
<b>Current assets</b>				
Inventories	6	4 713	3 735	4 953
Trade and other receivables		5 555	3 156	3 602
Current taxes		484	349	279
Other financial assets		26	24	26
Cash and cash equivalents		227	181	116
		<b>11 005</b>	<b>7 445</b>	<b>8 976</b>
<b>TOTAL ASSETS</b>		<b>18 172</b>	<b>14 389</b>	<b>16 202</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to owners of the parent</b>				
Share capital		3 967	3 967	3 967
Share premium		4 562	4 562	4 562
Translation reserve		(15 234)	(14 902)	(15 064)
Revaluation reserve		3 538	3 619	3 683
Retained earnings		4 539	3 718	3 972
		<b>1 372</b>	<b>964</b>	<b>1 120</b>
Non-controlling interests		-	-	-
<b>TOTAL EQUITY</b>		<b>1 372</b>	<b>964</b>	<b>1 120</b>
<b>Non-current Liabilities</b>				
Bank loans		5 170	5 208	5 381
Long-term payables		463	467	456
Deferred tax liabilities		244	274	234
		<b>5 877</b>	<b>5 949</b>	<b>6 071</b>
<b>Current liabilities</b>				
Bank loans		2 222	2 455	1 998
Trade and other payables		8 673	5 008	6 960
Current income tax liabilities		-	13	16
Other taxes payable		28	-	37
		<b>10 923</b>	<b>7 476</b>	<b>9 011</b>
<b>TOTAL LIABILITIES</b>		<b>16 800</b>	<b>13 425</b>	<b>15 082</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>18 172</b>	<b>14 389</b>	<b>16 202</b>

**Ukrproduct Group**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**  
*(in thousand GBP, unless otherwise stated)*

	Attributable to owners of the parent					Total £ '000	Non- con- trolling interests £ '000	Total Equity £ '000
	Share capital £ '000	Share premium £ '000	Revaluation reserve £ '000	Retained earnings £ '000	Translation reserve £ '000			
<b>As At 1 January 2018</b>	<b>3 967</b>	<b>4 562</b>	<b>3 769</b>	<b>3 478</b>	<b>(14 894)</b>	<b>882</b>	<b>-</b>	<b>882</b>
Profit for the six months	-	-	-	408	-	<b>408</b>	-	<b>408</b>
Currency translation differences	-	-	-	-	(170)	<b>(170)</b>	-	<b>(170)</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>408</b>	<b>(170)</b>	<b>238</b>	<b>-</b>	<b>238</b>
Depreciation on revaluation of property, plant and equipment	-	-	(86)	86	-	-	-	-
<b>As At 30 June 2018</b>	<b>3 967</b>	<b>4 562</b>	<b>3 683</b>	<b>3 972</b>	<b>(15 064)</b>	<b>1 120</b>	<b>-</b>	<b>1 120</b>
Loss for the six months	-	-	-	(318)	-	<b>(318)</b>	-	<b>(318)</b>
Currency translation differences	-	-	-	-	162	<b>162</b>	-	<b>162</b>
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(318)</b>	<b>162</b>	<b>(156)</b>	<b>-</b>	<b>(156)</b>
Depreciation on revaluation of property, plant and equipment	-	-	(64)	64	-	-	-	-
<b>As At 31 December 2018</b>	<b>3 967</b>	<b>4 562</b>	<b>3 619</b>	<b>3 718</b>	<b>(14 902)</b>	<b>964</b>	<b>-</b>	<b>964</b>
Profit for the six months	-	-	-	740	-	<b>740</b>	-	<b>740</b>
Currency translation differences	-	-	-	-	(332)	<b>(332)</b>	-	<b>(332)</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>740</b>	<b>(332)</b>	<b>408</b>	<b>-</b>	<b>408</b>
Depreciation on revaluation of property, plant and equipment	-	-	(81)	81	-	-	-	-
<b>As At 30 June 2019</b>	<b>3 967</b>	<b>4 562</b>	<b>3 538</b>	<b>4 539</b>	<b>(15 234)</b>	<b>1 372</b>	<b>-</b>	<b>1 372</b>

**Ukrproduct Group**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**  
*(in thousand GBP, unless otherwise stated)*

	<b>Six months ended 30 June 2019</b>	<b>Six months ended 30 June 2018</b>
	<b>£ '000</b>	<b>£ '000</b>
<b>Cash flows from operating activities</b>		
Profit before taxation	723	375
Adjustments for:		
Exchange difference	(592)	(793)
Depreciation and amortisation	278	258
Loss on disposal of non-current assets	4	
Write off of receivables/payables	(1)	25
Impairment of inventories	78	102
Loss from disposal of subsidiaries	-	-
Interest income	-	(2)
Interest expense on bank loans	265	233
<b>Operating cash flow before working capital changes</b>	<b>755</b>	<b>198</b>
Increase in inventories	(1 057)	(2 629)
Increase in trade and other receivables	(2 547)	(1 471)
Increase in trade and other payables	3 873	3 629
<b>Changes in working capital</b>	<b>269</b>	<b>(471)</b>
<b>Cash generated from / (used in) from operations</b>	<b>1 024</b>	<b>(273)</b>
Interest received	-	2
Income tax paid	(15)	5
<b>Net cash generated/ (used in) from operating activities</b>	<b>1 009</b>	<b>(266)</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment and intangible assets	(124)	(140)
Proceeds from sale of property, plant and equipment	5	-
Repayments of loans issued	-	5
<b>Net cash used in investing activities</b>	<b>(119)</b>	<b>(135)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(250)	(182)
Decrease in short term borrowing	(163)	510
Repayments of long term borrowing	(162)	(223)
<b>Net cash (used in)/ generated from financing activities</b>	<b>(575)</b>	<b>105</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>315</b>	<b>(296)</b>
Effect of exchange rate changes on cash and cash equivalents	(269)	(84)
<b>Cash and cash equivalents at the beginning of the six months</b>	<b>181</b>	<b>496</b>
<b>Cash and cash equivalents at the end of the six months</b>	<b>227</b>	<b>116</b>

## **Ukrproduct Group**

### **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019**

*(in thousand GBP, unless otherwise stated)*

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#### **BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

##### **1. REPORTING ENTITY**

Ukrproduct Group Limited ("the Company") is a public limited liability company registered in Jersey with a registered office at 26 New Street, St Helier, Jersey, JE2 3RA, Channel Islands.

The Group's overall management and production facilities are based in Ukraine, with the HQ in Kyiv. The Group commands leading positions in the Ukrainian processed cheese and packaged butter markets and owns a range of widely recognisable trademarks in Ukraine, including "Nash Molochnik" (translated as Our Dairyman), "Narodniy Product" (People's Product) "Molendam" and "Vershkova Dolina" (Creamy Valley).

##### **2. BASIS OF PREPARATION**

###### **(a) Statement of compliance**

The unaudited condensed financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). The condensed consolidated financial information in this half yearly report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' (IAS 34), as adopted by the EU, and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

The interim financial statements are unaudited but have been reviewed by the auditors.

The consolidated financial statements have been prepared on a historical cost basis, except for significant items of property, plant and equipment which have been measured using revaluation model. The consolidated financial statements are presented in British Pounds Sterling (GBP) and all values are rounded to the nearest thousand (£000) except where otherwise indicated.

The accounting policies used and the methods of computation is the same as those disclosed in the Group's recent annual consolidated financial statements except for the adoption of new and revised accounting standards as disclosed in Note 3.

The preparation of the unaudited condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from those estimates.

The Board has reviewed the Group's ongoing commitments for the next twelve months and beyond.

**Ukrproduct Group**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**  
*(in thousand GBP, unless otherwise stated)*

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**2. BASIS OF PREPARATION (CONTINUED)**

**(a) Statement of compliance (continued)**

The Board's review included the Group's strategic plans and updated forecasts, capital position, liquidity and credit facilities. Based on this review no material uncertainties that would require disclosure have been identified in relation to the ability of the Group to remain a going concern for at least the next twelve months, from both the date of the Condensed Consolidated Statement of Financial Position and the approval of the Condensed Consolidated Financial Statements.

**(b) Going concern**

These condensed consolidated interim financial statements have been prepared on a going concern basis, which envisages the disposal of assets and the settlement of liabilities in the normal course of business. The recoverability of Group's assets, as well as the future operations of the Group, may be significantly affected by the current and future economic environment. The Board notified EBRD in advance of covenant breaches of the Loan during the first half of 2019. EBRD noted that actual breach of covenants is significantly improved when compared to the previous period and EBRD has continued to not demand accelerated repayment. This benefited the overall financial results for the Group, which significantly increased and the Group generated positive cash flow from operating activities totaling GBP 1.02 million. Accordingly, Management believes that Group has reliable access to sources of financing capable to support appropriate operating activity of Group entities.

**(c) Foreign currency translation**

***Functional and presentation currency***

The Ukrainian Hryvnia is the currency of the primary economic environment in which the majority of the Group companies operate.

Items included in the financial statements of each of the Group's companies are measured using the currency of the primary economic environment in which the company operates ("the functional currency"). For the companies operating in Cyprus and BVI the functional currency is United States Dollars ("USD"). For the Parent company which located in Jersey the functional currency is Pound Sterling ("GBP"). For the companies operating in Ukraine the functional currency is Ukrainian Hryvnia ("UAH").

These condensed consolidated interim financial statements are presented in the thousands of Pound Sterling ("GBP"), unless otherwise indicated.

***Foreign currency transactions and balances***

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

**Ukrproduct Group**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**  
*(in thousand GBP, unless otherwise stated)*

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**2. BASIS OF PREPARATION (CONTINUED)**

**(c) Foreign currency translation (continued)**

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

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

<b>Currency</b>	<b>30 June 2019 (spot rate)</b>	<b>Average for the six months ended 30 June 2019</b>	<b>31 December 2018 (spot rate)</b>	<b>30 June 2018 (spot rate)</b>	<b>Average for the six months ended 30 June 2018</b>
UAH/GBP	33,18	34,87	35,13	34,67	36,85
UAH/USD	26,17	26,94	27,69	26,19	26,76
UAH/EUR	29,73	30,45	31,71	30,57	32,42

**(d) Reclassification**

Where applicable, comparatives have been adjusted to present them on the same basis as current period figures.

**(e) Rounding of amounts**

Amounts in this financial report have, unless otherwise indicated, been rounded to the nearest thousand pounds.



**Ukrproduct Group**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**  
*(in thousand GBP, unless otherwise stated)*

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### **3. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS**

#### **IFRS 16 ‘Leases’**

IFRS 16 replaced the existing standard IAS 17 ‘Leases’ with effect from 1 January 2019. Its objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represent lease transactions.

The Group elected to use the following practical expedients on transition:

- Use of single discount rates to reflecting similar lease terms and economic environments
- Recognition exemptions for lease contracts that at the transition date have a remaining lease term of 12 months or less
- Exclusion of initial direct costs from the measurement of the right of use asset
- The use of hindsight in determining the lease term for contracts containing options to extend or terminate the lease.

#### **Recognition and measurement**

The lease liability is recognised at the inception of a lease as the present value of the fixed and certain variable lease payments, plus any guaranteed residual values, any termination penalties if the lease term assumes termination options will be exercised and the purchase option value if it is reasonably certain that it will be exercised.

Interest is accrued on the lease liability based on the discount rate at commencement of the lease and is accounted for in finance costs and subsequent payments are deducted from the lease liability.

The right of use asset is initially measured as the value of the lease liability, adjusted for any indirect costs incurred to obtain the lease, restoration provisions and any lease payments made before the commencement of the lease.

The right of use asset will be depreciated over the life of the contract on a straight line basis.

Where the Group act as a lessor the lease will be classified as a finance lease if it transfers substantially all the risk and rewards incidental to ownership of the underlying asset, or otherwise as an operating lease.

#### **Nature and effect of adoption of IFRS 16**

There are no significant impact on the Group’s consolidated financial statements.

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**3. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS (CONTINUED)**

**IAS 19 ‘Employee Benefits’**

An amendment to IAS 19: Plan Amendment, Curtailment or Settlement issued by the IASB on 7 February 2018 was endorsed by the European Union on 13 March 2019 and became effective from 1 January 2019. This requires a net defined benefit asset or liability to be remeasured using the current assumptions and fair value of plan assets at the time of the amendment. Current service cost and net interest for the remainder of the period are remeasured using the same assumptions and the same fair value of plan assets.

No such event occurred during the 6 months period ended 30 June 2019.

**IFRIC 23 ‘Uncertainty over tax income treatment’**

IFRIC 23 ‘Uncertainty over tax income treatment’ specifies how to reflect the effect of uncertainty in accounting for income taxes where it may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a tax treatment.

This interpretation has not had a material impact on the Group’s consolidated financial statements.

**4. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

**IFRS 17 ‘Insurance Contracts’**

The International Accounting Standards Board (IASB) issued IFRS 17 ‘Insurance Contracts’ in May 2017 to replace IFRS 4 ‘Insurance Contracts’ for annual reporting periods beginning, at the latest, on or after 1 January 2021. It has subsequently published an Exposure Draft (ED) proposing targeted amendments in response to concerns and challenges raised by stakeholders, including a proposal to defer the implementation of IFRS 17 by one year and to extend the exemption from applying IFRS 9 ‘Financial Instruments’ for the same period.

It is expected that the deferral proposals will be approved and incorporated into an amended IFRS 17 standard due to be issued during 2020.

Draft legislation has been laid before Parliament to ensure that IFRS as endorsed by the EU at the date of the UK leaving the EU will be adopted for use in the UK as well as providing the Secretary of State with the power to adopt and endorse IFRS for use in the UK. It is expected that this power will be delegated to a UK IFRS Endorsement Board. In the event that IFRS 17 has not been endorsed by the EU by the time the UK leaves the EU, including any transitional period or arrangements that may be agreed, then the UK IFRS Endorsement Board will have responsibility for its endorsement. This is being monitored closely.

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**4. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)**

**Other pronouncements**

There are a number of amendments to IFRS that have been issued by the IASB that become mandatory during 2019 or in a subsequent accounting period. The Group has evaluated these changes and none have had, or are expected to have, a significant impact on the consolidated financial statements.

**5. ESTIMATES AND JUDGEMENTS**

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

**6. INVENTORY WRITE OFF TO NET REALISABLE VALUE**

Inventories are measured at the lower of cost or net realisable value.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of work in progress and finished goods includes costs of direct materials and labor and other direct productions costs and related production overheads (based on normal operating capacity).

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

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The Group periodically analyses inventories to determine whether they are damaged, obsolete or slow-moving or if their net realisable value has declined, and makes an allowance for such inventories.

The loss from impairment of inventories amounted to:

	<b>Six months ended</b>	<b>Six months ended</b>
	<b>30 June 2019</b>	<b>30 June 2018</b>
	<b>£ '000</b>	<b>£ '000</b>
<b>Impairment of finished goods</b>	(78)	(279)

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**7. RELATED PARTY TRANSACTIONS**

A related party is a person or an entity that is related to the reporting entity:

1. A person or a close member of that person's family is related to a reporting entity if that person has control, joint control, or significant influence over the entity or is a member of its key management personnel.
2. An entity is related to a reporting entity if, among other circumstances, it is a parent subsidiary, fellow subsidiary, associate, or joint venture of the reporting entity, or it is controlled, jointly controlled, or significantly influenced or managed by a person who is a related party.

The Group enters into transactions with related parties in the ordinary course of business.

Related parties comprise the Group's shareholders and companies that are under control of the Group's shareholders.

All sales and purchases were with related parties under common control of the ultimate beneficiaries of the Company.

	<b>Six months ended</b>	<b>Six months ended</b>
	<b>30 June 2019</b>	<b>30 June 2018</b>
	<b>£ '000</b>	<b>£ '000</b>
Sales	-	-
Purchases	-	42
Administrative expenses	7	7
Other operational incomes	-	-
Other operational expenses	3	-

Balances due from/(to) related parties at each period end are shown below.

	<b>Six months ended</b>	<b>Six months ended</b>
	<b>30 June 2019</b>	<b>30 June 2018</b>
	<b>£ '000</b>	<b>£ '000</b>
Trade debtors	15	-
Receivables and prepayments	25	26
Trade and other payables	(11)	(11)
Prepayments received	(60)	-

## Ukrproduct Group

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

(in thousand GBP, unless otherwise stated)

#### 8. SEGMENT INFORMATION

IFRS 8 requires segment information to be presented on the same basis as that used by the Board for assessing performance and allocating resources.

Segment information is presented in respect of the group's key operating segments. The operating segments are based on the group's management and internal reporting structure.

At 30 June 2019, the Group was organised into five main business segments:

- 1) Branded products – processed cheese, hard cheese, packaged butter and spreads
- 2) Beverages – kvass, other beverages
- 3) Non-branded products – skimmed milk powder, other skimmed milk products
- 4) Distribution services and other – resale of third-party goods and processing services
- 5) Supplementary products – export trading activities with non-dairy products. The Group has expanded export sales into non-dairy products such as corn, protein meal and oil. These operations make use of third party logistics services and are financed by deferring payment for purchased products.

The segment results for the six months ended 30 June 2019 are as follows:

	<b>Branded products</b>	<b>Beverages</b>	<b>Non-branded products</b>	<b>Distribution services and other</b>	<b>Supplementary products</b>	<b>Total</b>
	<b>£ '000</b>	<b>£ '000</b>	<b>£ '000</b>	<b>£ '000</b>	<b>£ '000</b>	
<b>Sales</b>	11 228	927	3 447	816	5 818	<b>22 236</b>
<b>Gross profit</b>	1 791	465	(690)	197	163	<b>1 926</b>

The segment results for the six months ended 30 June 2018 are as follows:

	<b>Branded products</b>	<b>Beverages</b>	<b>Non-branded products</b>	<b>Distribution services and other</b>	<b>Supplementary products</b>	<b>Total</b>
	<b>£ '000</b>	<b>£ '000</b>	<b>£ '000</b>	<b>£ '000</b>	<b>£ '000</b>	
<b>Sales</b>	10 016	611	1 822	1 815	563	<b>14 827</b>
<b>Gross profit</b>	1 265	346	(829)	456	6	<b>1 244</b>

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## 9. EARNINGS PER SHARE

The earnings per ordinary share are calculated by reference to the profit attributable to the ordinary shareholders and the weighted average number of shares in issue during the period.

Basic earnings per share are calculated by dividing the profit attributable to the ordinary shareholders of the Parent Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by various employee share trusts and held as own shares.

Diluted earnings per share are calculated by dividing the profit attributable to the ordinary shareholders of the Parent Company by the diluted weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by various employee share trusts and held as own shares.

	<b>Six months ended 30 June 2019 £ '000</b>	<b>Six months ended 30 June 2018 £ '000</b>
Net profit attributable to ordinary shareholders	<b>740</b>	<b>408</b>
Weighted number of ordinary shares in issue	39 673 049	39 673 050
Basic earnings per share, pence	<b>1,86</b>	<b>1,03</b>
Diluted average number of shares	39 673 049	39 673 050
Diluted earnings per share, pence	<b>1,86</b>	<b>1,03</b>

## 10. SUBSEQUENT EVENTS

No subsequent events occurred after the reporting date.

## 11. APPROVAL OF INTERIM STATEMENTS

The unaudited condensed consolidated financial statements were approved by the board of directors on **30 August 2019**.