



**Ukrproduct Group**

**Condensed consolidated interim financial statements**

**For the six months ended 30 June 2021**

**Table of Contents**

Chairman and Chief Executive Statement .....	3
Statement of Management's Responsibilities .....	5
Management Statements .....	6
Single Management Report .....	7
CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME .....	11
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION .....	12
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY.....	13
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS .....	14
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.....	15

## Chairman and Chief Executive Statement

Ukrproduct, one of the leading Ukrainian producers and distributors of branded dairy foods and beverages (kvass), is pleased to announce its interim results for the half year ended 30 June 2021 (“1H 2021”) and outlook for 2021.

### 2021 Half-Year Highlights:

- Consolidated revenue of the Group in local currency increased by 7.3%, however owing to devaluation of UAH to GBP it decreased by 7.2% to £25.5 million on a like-for-like basis (1H 2020: £27.5 million). Growth in volume stood at 8.1%.
- The Group significantly changed the product portfolio and sales structure compared to the prior half a year in order to support the product margins: a significant rise in revenue of 71.1% was provided by processed cheese and associated product (with its market share increasing from 22% to 41%), while the revenue from butter decreased by 42.6% as the Group reoriented from the mass towards the premium market (with its market share decreasing from 33% to 21%).
- Despite the increase in sales, pressure on the input costs owing to higher prices for raw milk on a comparable basis and energy related expenses triggered the decline of the gross profit by 9.8% to £2.0 million (1H 2020: £2.2 million).
- Higher material costs had a negative impact on the operating result, as EBITDA amounted to £0.49 million (1H 2020: £0.78 million) corresponding to EBITDA margin of 1.9% (1H 2020: 2.8%).
- Net profit for the period amounted to £0.15 million compared to the loss in the prior period (1H 2020: £0.42 million) owing to the positive exchange difference of £0.36 million.

### 2021 Half-Year Trading Update

According to the State Statistics Service of Ukraine, in the first half of 2021 the total milk production in Ukraine declined by 5.6%, or 255 thousand tons compared to the same period last year, to 4.3 million tons. Though this decrease was offset by imports, primarily from the European Union, it resulted in local raw milk prices increasing. It is noteworthy to highlight that in the first half of 2021, there was no seasonal decline in raw milk prices. In May-June 2021, prices excluding VAT were generally in line with the prices in January-February and sometimes even exceeded them. The average purchase prices of milk (of all categories) by agricultural enterprises increased in the first half of 2021 by more than 24% against the corresponding level in 2020 owing to the general rally of food commodities worldwide. While the average extra grade raw milk (produced by the farmers) price increased by around 20%, the average first grade raw milk (supplied by the villagers) price rose by almost 30%. Additionally, the prices of another important raw material - palm oil - skyrocketed by circa 30% during the first half of 2021.

Consequently, the Group experienced the material financial impact of raw materials inflation, while the products' profit margins were limited following challenging negotiations with the local retailers. However, Ukrproduct partially offset such financial impacts through improved productivity and its optimised product portfolio, as well as by a number of further measures focused on margin improvement, including but not limited to the regular cost-efficiency exercises and ongoing optimisation of the raw milk supply.

## Financial position

As of 30 June 2021, Ukrproduct had net assets of £5.7 million compared to £2.6 million as of 30 June 2020.

In the first half of 2021, the Group was in breach of several provisions of the loan agreement with the European Bank for Reconstruction and Development (“EBRD”) and the bank has not issued a waiver for the breaches. On 1 June 2021, the Group had settled the interest amount due on 1 June 2021, however it did not repay the quarterly loan tranche due on that date. On 3 September 2021, with reference to the loan agreement, the Group settled the payment of overdue principal in the amount of EUR 106,200.

In June 2021, Ukrproduct entered discussions with the EBRD to potentially restructure the loan repayment schedule as a result of pressure on the working capital requirements of the business owing to increased raw materials costs and growing working capital requirements as the Group significantly increased its sales via retailers as a result of the COVID-19 related restrictions imposed on the other distribution channels during a number of consequential lockdowns.

## Outlook for 2021

The development of the business in the second half of 2021 remains highly uncertain due to ongoing COVID-19 pandemic and further inflation in prices of agriculture commodities worldwide in the second half of the year. Though Ukrproduct’s team continues implementing further efficiencies in procurement, processing, distribution and sales of its products with a major focus on pricing on shelves reflecting raw materials costs increase, the Group expects its margins to experience further pressure until the end of this year.



Jack Rowell

Non-Executive Chairman



Alexander Slipchuk

Chief Executive  
Officer

**Statement of Management's Responsibilities****For the preparation and approval of condensed consolidated interim financial statements for the six months ended 30 June 2021**

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 2021, 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 condensed 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 2021 prepared in compliance with IFRS as approved by the European Union are approved on behalf of the Group's Directors on 23 September 2021.



On behalf of the Directors:

23 September 2021

## 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 2021, and the comparable information, have been prepared in compliance with IFRS 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:

23 September 2021

## 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 2021	Six months ended 30 June 2020	Change
	£ '000	£ '000	%
Revenue	25 532	27 523	(7%)
Cost of sales	(23 534)	(25 308)	(7%)
<b>GROSS PROFIT</b>	<b>1 998</b>	<b>2 215</b>	<b>(10%)</b>
Administrative expenses	(631)	(576)	10%
Selling and distribution expenses	(1 250)	(1 158)	8%
Other operating (expenses)/income	(170)	5	(3500%)
<b>PROFIT/(LOSS) FROM OPERATIONS</b>	<b>(53)</b>	<b>486</b>	<b>(111%)</b>
Net finance expenses	(232)	(253)	(8%)
Net foreign exchange gain/(loss)	366	(673)	(154%)
<b>PROFIT/(LOSS) BEFORE TAXATION</b>	<b>81</b>	<b>(440)</b>	<b>(118%)</b>
Income tax credit	70	19	268%
<b>PROFIT/(LOSS) FOR THE SIX MONTHS</b>	<b>151</b>	<b>(421)</b>	<b>(136%)</b>
<b>Attributable to:</b>			
Owners of the Parent	151	(421)	(136%)
Earnings per share:			
Basic (pence)	0.38	(1.06)	-
Diluted (pence)	0.38	(1.06)	-
<b>OTHER COMPREHENSIVE INCOME:</b>			
<b>Items that may be subsequently reclassified to profit or loss</b>			
Currency translation differences	269	(167)	(261%)
<b>Items that will not be reclassified to profit or loss</b>			
<b>OTHER COMPREHENSIVE INCOME, NET OF TAX</b>	<b>269</b>	<b>(167)</b>	<b>(261%)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE SIX MONTHS</b>	<b>420</b>	<b>(588)</b>	<b>(171%)</b>
<b>Attributable to:</b>			
Owners of the Parent	420	(588)	(171%)
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 amortization (EBITDA), which are used to measure segment performance. EBIT and EBITDA calculations exclude the impact of foreign currency gain and loss. 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 Group'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 2021	Six months ended 30 June 2020
	£ '000	£ '000
<b>CONTINUING OPERATIONS</b>		
Revenue for the period	25 532	27 523
Cost of sales	(23 534)	(25 308)
Operating expenses	(2 051)	(1 729)
<b>EBIT</b>	<b>(53)</b>	<b>486</b>

EBITDA is calculated as revenue less expenses, the latter excluding tax, interest, depreciation and amortization. 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 amortization, along with cost of capital and taxation, provides to external users another measure to compare to similar companies, regardless of varying tax environments, capital structures or depreciation accounting policies.

	Six months ended 30 June 2021	Six months ended 30 June 2020
	£ '000	£ '000
<b>CONTINUING OPERATIONS</b>		
EBIT	(53)	486
Depreciation and amortization	537	297
<b>EBITDA</b>	<b>484</b>	<b>783</b>



## Revenue

The Group's revenue from sales of finished products decreased by 7.2% in 1H 2021 in comparison with the previous period. The most significant portion of the Group's revenue comes from selling packaged butter, processed cheese and supplementary products, which represented 52.5% in the first half of 2021 and 51.9% in first half of 2020 of total revenue for the relevant periods.

## Cost of sales

The Group's cost of sales decreased to GBP 23.5 million in the current period from GBP 25.3 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 2021 £ '000	Six months ended 30 June 2020 £ '000	Changes in %
Raw materials	16 203	15 293	6%
Supplementary products	3 399	5 590	-39%
Wages and salaries	1 613	1 173	38%
Fuel and energy supply	813	537	51%
Manufacturing overhead	792	2 117	-63%
Transport	614	670	-8%
Depreciation and amortization	455	239	90%
Other expenses	19	29	-34%
Adjustments	(374)	(340)	10%
	<b>23 534</b>	<b>25 308</b>	<b>(7%)</b>

**Gross profit/(loss)**

The Group's gross profit decreased to GBP 2.0 million in 1H 2021 from GBP 2.2 million of gross profit in 1H 2020.

**Selling and distribution expenses**

Selling and distribution expenses increased year-on-year to GBP 1.3 million in the current period from GBP 1.2 million in 1H 2020, reflecting an increase in sales volume and delivery costs in 2021.

**Net foreign exchange gain/(loss)**

In 1H 2021, the Group reports a net foreign exchange gain of GBP 0.36 million versus a net loss of GBP 0.67 million in the 1H 2020.

**Ukrproduct Group**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2021**  
*(in thousand GBP, unless otherwise stated)*

	Note	Six months ended 30 June 2021 £ '000	Six months ended 30 June 2020 £ '000
Revenue	8	25 532	27 523
Cost of sales		(23 534)	(25 308)
<b>GROSS PROFIT</b>		<b>1 998</b>	<b>2 215</b>
Administrative expenses		(631)	(576)
Selling and distribution expenses		(1 250)	(1 158)
Other operating (expenses)/income		(170)	5
<b>PROFIT/(LOSS) FROM OPERATIONS</b>		<b>(53)</b>	<b>486</b>
Net finance expenses		(232)	(253)
Net foreign exchange gain/(loss)		366	(673)
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		<b>81</b>	<b>(440)</b>
Income tax credit		70	19
<b>PROFIT/ (LOSS) FOR THE SIX MONTHS</b>		<b>151</b>	<b>(421)</b>
<b>Attributable to:</b>			
Owners of the Parent		151	(421)
Earnings per share:			
Basic (in pence)	9	0.38	(1.06)
Diluted (in pence)	9	0.38	(1.06)
<b>OTHER COMPREHENSIVE INCOME:</b>			
<b>Items that may be subsequently reclassified to profit or loss</b>			
Currency translation differences		269	(167)
<b>OTHER COMPREHENSIVE INCOME, NET OF TAX</b>		<b>269</b>	<b>(167)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE SIX MONTHS</b>		<b>420</b>	<b>(588)</b>
<b>Attributable to:</b>			
Owners of the Parent		420	(588)
Non-controlling interests		-	-

**Ukrproduct Group**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2021**  
*(in thousand GBP, unless otherwise stated)*

	Note	As at 30 June 2021 £ '000	As at 31 December 2020 £ '000	As at 30 June 2020 £ '000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment		9 909	9 934	6 538
Intangible assets		765	598	546
Deferred tax assets		-	-	-
		<b>10 674</b>	<b>10 532</b>	<b>7 084</b>
<b>Current assets</b>				
Inventories	6	5 919	7 317	6 386
Trade and other receivables		6 976	6 155	7 292
Current taxes		305	214	427
Other financial assets		41	27	32
Cash and cash equivalents		147	156	389
		<b>13 388</b>	<b>13 829</b>	<b>14 526</b>
<b>TOTAL ASSETS</b>		<b>24 062</b>	<b>24 361</b>	<b>21 610</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		(14 962)	(15 231)	(14 904)
Revaluation reserve		6 715	7 031	3 348
Retained earnings		5 403	4 935	5 599
		<b>5 685</b>	<b>5 264</b>	<b>2 572</b>
Non-controlling interests		-	-	-
<b>TOTAL EQUITY</b>		<b>5 685</b>	<b>5 264</b>	<b>2 572</b>
<b>Non-current Liabilities</b>				
Liabilities of rent assets (LT)		-	13	50
Liabilities of rent assets (ST)		-	-	-
Deferred tax liabilities		937	1 029	215
		<b>937</b>	<b>1 042</b>	<b>265</b>
<b>Current liabilities</b>				
Bank loans		6 812	6 628	7 834
Short-term payables		-	467	-
Trade and other payables		10 610	10 947	10 907
Current income tax liabilities		-	-	-
Other taxes payable		18	13	32
		<b>17 440</b>	<b>18 055</b>	<b>18 773</b>
<b>TOTAL LIABILITIES</b>		<b>18 377</b>	<b>19 097</b>	<b>19 038</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>24 062</b>	<b>24 361</b>	<b>21 610</b>

**Ukrproduct Group**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2021**  
*(in thousand GBP, unless otherwise stated)*

	Attributable to owners of the parent					Total	Non- con- trolling interests	Total Equity
	Share capital	Share premium	Revaluation reserve	Retained earnings	Translation reserve			
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
<b>As at 31 December 2019</b>	<b>3 967</b>	<b>4 562</b>	<b>3 437</b>	<b>5 931</b>	<b>(14 737)</b>	<b>3 160</b>	<b>-</b>	<b>3 160</b>
Loss for the six months	-	-	-	(421)	-	(421)	-	(421)
Currency translation differences	-	-	-	-	(167)	(167)	-	(167)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(421)</b>	<b>(167)</b>	<b>(588)</b>	<b>-</b>	<b>(588)</b>
Depreciation on revaluation of property, plant and equipment	-	-	(89)	89	-	-	-	-
<b>As at 30 June 2020</b>	<b>3 967</b>	<b>4 562</b>	<b>3 348</b>	<b>5 599</b>	<b>(14 904)</b>	<b>2 572</b>	<b>-</b>	<b>2 572</b>
Profit for the six months	-	-	-	(739)	-	(739)	-	(739)
Currency translation differences	-	-	-	-	(327)	(327)	-	(327)
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(739)</b>	<b>(327)</b>	<b>(1 066)</b>	<b>-</b>	<b>(1 066)</b>
Reduction of revaluation reserve	-	-	(98)	-	-	(98)	-	(98)
Gain on revaluation of property, plant and equipment	-	-	3 856	-	-	3 856	-	3 856
Depreciation on revaluation of property, plant and equipment	-	-	(75)	75	-	-	-	-
<b>As at 31 December 2020</b>	<b>3 967</b>	<b>4 562</b>	<b>7 031</b>	<b>4 935</b>	<b>(15 231)</b>	<b>5 264</b>	<b>-</b>	<b>5 264</b>
Profit for the six months	-	-	-	152	-	152	-	152
Currency translation differences	-	-	-	-	269	269	-	269
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>152</b>	<b>269</b>	<b>421</b>	<b>-</b>	<b>421</b>
Depreciation on revaluation of property, plant and equipment	-	-	(316)	316	-	-	-	-
<b>As at 30 June 2021</b>	<b>3 967</b>	<b>4 562</b>	<b>6 715</b>	<b>5 403</b>	<b>(14 962)</b>	<b>5 685</b>	<b>-</b>	<b>5 685</b>

**Ukrproduct Group**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2021**  
*(in thousand GBP, unless otherwise stated)*

	<b>Six months ended 30 June 2021 £ '000</b>	<b>Six months ended 30 June 2020 £ '000</b>
<b>Cash flows from operating activities</b>		
Profit/(loss) before taxation	81	(440)
Adjustments for:		
Exchange difference	(366)	673
Depreciation and amortization	537	297
Loss on disposal of non-current assets	5	5
Write off of receivables/payables	166	1
Impairment of inventories	9	82
Interest income	-	(1)
Interest expense on bank loans	232	254
<b>Operating cash flow before working capital changes</b>	<b>664</b>	<b>871</b>
Increase in inventories	1 390	(1 389)
Increase in trade and other receivables	(1 128)	(143)
Increase in trade and other payables	(366)	1 682
<b>Changes in working capital</b>	<b>(104)</b>	<b>150</b>
<b>Cash generated from operations</b>	<b>560</b>	<b>1 021</b>
Interest received	-	1
Income tax paid	9	5
<b>Net cash generated from operating activities</b>	<b>569</b>	<b>1 027</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment and intangible assets	(519)	(334)
Proceeds from sale of property, plant and equipment	-	11
Repayments of loans issued	(13)	(3)
<b>Net cash used in investing activities</b>	<b>(532)</b>	<b>(326)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(188)	(270)
Repayments of long term borrowing	(57)	(42)
<b>Net cash used in from financing activities</b>	<b>(245)</b>	<b>(312)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(208)</b>	<b>389</b>
Effect of exchange rate changes on cash and cash equivalents	199	(231)
<b>Cash and cash equivalents at the beginning of the six months</b>	<b>156</b>	<b>231</b>
<b>Cash and cash equivalents at the end of the six months</b>	<b>147</b>	<b>389</b>

**Ukrproduct Group**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2021**  
*(in thousand GBP, unless otherwise stated)*

---

**BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

**1. REPORTING ENTITY**

Ukrproduct Group Ltd (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 operational 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 consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) 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 condensed 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 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 2021**  
*(in thousand GBP, unless otherwise stated)*

---

**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.

***EBRD***

In the first half of 2021, the Group continued to be in breach of several provisions of the loan agreement with the European Bank for Reconstruction and Development ("EBRD") and the bank has not issued a waiver for the breaches. On 1 June 2021, Ukrproduct entered discussions with the EBRD to potentially restructure the loan repayment schedule as a result of pressure on the working capital requirements of the business due to increased raw milk costs and an increase in volumes required to meet demand. The Group also notified EBRD that although Ukrproduct had settled the interest amount due on 1 June 2021, it did not repay the quarterly loan tranche due on that date. In September, with reference to the loan agreement dated 31 March 2011, as amended on 24 June 2016, the Company made the repayment of the overdue (by 1 June 2021) principal in the amount of EUR 106 200 and settled the due interest amount of EUR 28 582, however, the Group informed EBRD that it could not undertake the next repayment at the amount of EUR 294 006 that was due on 1 September 2021.

Ukrproduct is seeking to increase its working capital facility provided locally in Ukraine. The Group's management continues to have discussions with EBRD and, at present, EBRD has taken no action to accelerate repayment of the loan. Though the Company is hopeful that an agreement can be reached in due course that works for both parties, the management is seeking to secure sufficient additional funding from the local banks to refinance the existing loan on more competitive terms. To the best of its knowledge, the Board has a reasonable expectation that the Group has sufficient liquidity to continue its operations going forward and to apply the going concern basis in preparation of the financial statements.



**Ukrproduct Group**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2021**  
*(in thousand GBP, unless otherwise stated)*

---

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

**(b) Going concern (continued)**

Overall, the Group's management has been implementing a number of steps focused on margin improvement and working capital replenishment that include, but are not limited to, the actions described below. Ukrproduct undertakes ongoing optimisation of the raw milk supply and its settlement scheme that is complemented with development of the products' portfolio aimed at increasing the Company's overall margin and turnover. Additionally, the Group's management is introducing new cost efficiency initiatives in procurement, processing, distribution, marketing and logistics as well as carefully reducing overhead.

The Company has launched new B2B partnerships (as well as developing existing ones) in dairy processing, logistics and distribution to capitalise on economies of scale. Moreover, Ukrproduct continues to introduce new dairy products and beverages appealing to shifting consumer demand, which is complemented by focused marketing and promotion efforts, while export trading is being developed with new packaging to adapt to international consumer requirements. On a daily basis, the management team is engaged in proactive negotiation with retailers and other trading partners in order to reflect input costs volatility in the current pricing of its end products on shelves, however this process is challenging and takes time.

*Impact of COVID-19 pandemic*

As part of the going concern assessment, the Directors performed an analysis on future cash flows and budgets. The analysis has shown that the Group will continue to maintain relevant cash resources and uninterrupted flow of revenues for the foreseeable future. The Group closely monitors the evolution of the COVID-19 pandemic, including how it may affect the markets, the general population and the financial impact of these events.

**(c) Foreign currency translation**

***Functional and presentation currency***

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 is 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.

**Ukrproduct Group**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2021**  
*(in thousand GBP, unless otherwise stated)*

---

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

*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.

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 2021 (spot rate)</b>	<b>Average for the six months ended 30 June 2021</b>	<b>31 December 2020 (spot rate)</b>	<b>30 June 2020 (spot rate)</b>	<b>Average for the six months ended 30 June 2020</b>
UAH/GBP	37.58	38.55	38.44	33.08	33.47
UAH/USD	27.18	27.77	28.27	26.69	26.72
UAH/EUR	32.30	33.46	34.74	29.95	30.05

**(d) Reclassification**

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

**Ukrproduct Group**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2021**  
*(in thousand GBP, unless otherwise stated)*

---

### **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.

#### **Recognition and measurement (continued)**

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.

#### **An amendment to IFRS 16**

The amendments with regard to COVID-19 are effective for annual reporting periods beginning on or after 1 June 2020.

#### **Nature and effect of amendment to IFRS 16**

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

**Ukrproduct Group**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2021**  
*(in thousand GBP, unless otherwise stated)*

---

**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. The IASB tentatively decided to defer the effective date of IFRS 17 ‘Insurance Contracts’ to annual periods beginning on or after January 1, 2022. In this connection, the IASB also published ‘Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)’ to defer the fixed expiry date of the amendment also to annual periods beginning on or after January 1, 2023.

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.

**Other pronouncements**

There are a number of amendments to IFRS that have been issued by the IASB that become mandatory during 2020 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.

**Ukrproduct Group**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2021**  
*(in thousand GBP, unless otherwise stated)*

---

**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 2021</b>	<b>30 June 2020</b>
	<b>£ '000</b>	<b>£ '000</b>
<b>Impairment of finished goods</b>	(9)	(82)

**Ukrproduct Group**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2021**  
*(in thousand GBP, unless otherwise stated)*

---

**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>30 June 2021</b>	<b>Six months ended</b> <b>30 June 2020</b>
	<b>£ '000</b>	<b>£ '000</b>
Administrative expenses	12	9
Other operational incomes	21	38
Other operational expenses	-	113

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

	<b>Six months ended</b> <b>30 June 2021</b>	<b>Six months ended</b> <b>30 June 2020</b>
	<b>£ '000</b>	<b>£ '000</b>
Trade debtors	-	4
Trade and other payables	(4)	(7)

**Ukrproduct Group**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2021**  
*(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 2021, the Group was organized internationally 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 2021 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>£ '000</b>
<b>Sales</b>	18 098	690	2 236	1 022	3 486	<b>25 532</b>
<b>Gross profit</b>	1 419	429	(253)	316	87	<b>1 998</b>

The segment results for the six months ended 30 June 2020 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>£ '000</b>
<b>Sales</b>	17 291	772	3 256	1 180	5 024	<b>27 523</b>
<b>Gross profit</b>	2 200	439	(879)	320	135	<b>2 215</b>

**Ukrproduct Group**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2021**  
*(in thousand GBP, unless otherwise stated)*

---

**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 2021 £ '000</b>	<b>Six months ended 30 June 2020 £ '000</b>
Net profit attributable to ordinary shareholders	151	(421)
Weighted number of ordinary shares in issue	39 673 049	39 673 049
Basic earnings per share, pence	0.38	(1.06)
Diluted average number of shares	39 673 049	39 673 049
Diluted earnings per share, pence	0.38	(1.06)

**10. SUBSEQUENT EVENTS**

Ukrproduct has a significant number of financial obligations to EBRD. The Group's management has been in negotiations with EBRD to restructure the current repayment schedule, focusing on, amongst other things, financial viability assessment and business projections and financial model covering long-term financial forecasts. At present, EBRD has taken no action to accelerate repayment of the loan.

In September 2021, with reference to the loan agreement dated 31 March 2011, as amended on 24 June 2016 the Group made the repayment of the overdue (by 1 June 2021) principal in the amount of EUR 106 200 and settled the due interest amount of EUR 28 582, however the Group informed EBRD that it could not undertake the next repayment at the amount of EUR 294 006 that was due on 1 September 2021.

There were no other material events after the end of the reporting date, which have a bearing on the understanding of the financial statement.

**11. APPROVAL OF INTERIM STATEMENTS**

The unaudited condensed consolidated financial statements were approved by the board of directors on 23 September 2021.