29 September 2022

UKRPRODUCT GROUP LIMITED
("Ukrproduct", the "Company" or, together with its subsidiaries, the "Group")

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

NOTICE OF AGM

Ukrproduct Group Limited (AIM: UKR), one of the leading Ukrainian producers and distributors of branded dairy foods and beverages (kvass), today announces its audited results for the year ended 31 December 2021.

The 2021 Annual Report and Accounts ("2021 Annual Report"), a notice of Annual General Meeting ("AGM") and a Proxy Form, have been posted to shareholders and copies are available on the Company's website at www.ukrproduct.com. .

The Company's shares were temporarily suspended from trading on AIM on 1 July 2022, as the Company was not able to publish and post the 2021 Annual Report by 30 June 2022. As a result of this announcement, restoration of the Company's shares is expected to take effect at 7.30am this morning.

The AGM will be held at the 6th floor, office 36, 8 Sikorsky Street, Kyiv, Ukraine, 04112 at 4.00 pm (Kyiv time) / 2.00 pm (London time) on 3 November 2022.

The interim results for the 6 months to 30 June 2022 are expected to be released by 4.30pm tomorrow.

For further information contact:

Ukrproduct Group Ltd	
Jack Rowell, Non-Executive Chairman	Tel: +44 1534 814814
Alexander Slipchuk, Chief Executive Officer	www.ukrproduct.com
Strand Hanson Limited	
Nominated Adviser and Broker	Tel: +44 20 7409 3494
Rory Murphy, Richard Johnson	www.strandhanson.co.uk

Chairman and Chief Executive Statement

Trading

Ukrproduct Group Ltd ("Ukrproduct", the "Company" or, together with its subsidiaries, "the Group") is one of the leading Ukrainian producers and distributors of branded dairy foods and beverages (kvass).

During 2021, Ukrproduct experienced several global challenges. There was an acute, ongoing shortage of dairy raw materials, and an increase in imports of dairy products from abroad which hampered the development of the Ukrainian dairy products market. Rising costs of raw materials and consumables, energy and transport created additional problems. Increases in selling prices could not keep pace with the growth in costs and this affected manufacturers in 2021. Manufacturers were forced to raise selling prices in stages and over time, as they faced resistance from retailers.

For FY 2021, consolidated sales stood at £52.0 million, down 6.3% from the previous year (2020: £55.5 million), though in local currency it grew 0.6%.

Due to an increase of 18% in the price of raw milk over the period, the Group limited the volume of raw milk procured and used previously purchased, semi-finished products for production. The Group also suspended operations at its minor production facility in Letychiv due to the rise in raw milk prices in its captive raw milk zone.

Despite the challenging situation and limited marketing activities, Ukrproduct exceeded its expectations in sales of branded dairy products in 2021 achieving 7% growth compared to 2020. This increase in sales was delivered following a revision of the Company's marketing strategy with renewed focus on processed cheese and processed cheese products, where sales have grown by 24% and 98% respectively. The overall Group market share in processed cheese and processed cheese products in Ukraine increased from 14% in 2020 to 21% in 2021.

Also in 2021, the Group resumed cooperation with the largest national retail chain in Ukraine, ATB-Market LLC, for the production of Private Label Cheese. However, due to a significant increase in costs as a result of the above noted factors, the sales margin of processed cheese and other processed cheese products decreased from 20.2% and 7.5% in 2020 to 16.0% and 6.4% in 2021, respectively.

In order to maintain profitability in the Company's key segment, butter, Ukrproduct reduced low-margin sales of packaged butter in retail chains in the second half of 2021 and utilised the butter in the production of processed cheeses. This led to a 46.3% decrease in sales of packaged butter in 2021, but allowed for a significant increase in the category's margin (from 7.4% in 2020 to 10.6% in 2021), which almost maintained the gross margin at 2020 levels.

The Group increased sales of spreads by 8.1% in 2021, despite the market contraction in Ukraine. However, a significant increase in the cost of vegetable fats (up 35% compared to 2020) led to a decrease in sales margin from 19.9% in 2020 to 14.7% in 2021.

An additional factor contributing to the slight growth of turnover in 2021 (in local currency) was an increase in sales of kvass and beverages of 5.8% in volume and 5.9% in value. Ukrproduct continued to increase its range of products in 2021, launching several new drinks into the market during the year.

The Group expanded its exports in 2021 both in terms of geographic locations and penetration in existing markets, which resulted in an increase in sales of exported branded products by 55.5% in volume (from 3,600 tons in 2020 to 5,600 tons in 2021), and by 60.5% in value (from \$7.1 million in 2020 to \$11.4 million in 2021). The main growth was delivered in the processed cheese category, sales of which increased 2.4 times in volume (from 1,900 tons in 2020 to 4,600 tons in 2021) and 2.6 times in value (from \$3.2 million in 2020 to \$8.4 million in 2021).

In 2021, the Group minimized production and export of skimmed milk powder, instead using the raw milk in the production of other semi-processed products.

The export of spreads declined significantly compared to 2020 due to cost inflation, the impact of COVID-19 lockdowns on transportation, and a reluctance by major customers including retailers to pass on the respective price increases.

Additionally, Ukrproduct undertook a number of initiatives to improve its operational cost efficiency, including optimised energy consumption and production standards complemented with increased productivity. The Group was also successful in maintaining the same level of logistical costs as in 2020 due to further optimisation of transportation routes and processes. This was a material achievement offsetting fuel inflation in 2021.

In 2021, the Group operating expenses rose by 12.0% compared to 2020, mainly driven by increases in salaries, legal and audit costs, marketing and fuel expenses.

These trading headwinds were significant and meant the Group's EBITDA in 2021 level reduced by 21.6% to £1.1 million compared with the prior year, with the EBITDA margin decreasing from 2.6% in 2020 to 2.2% in 2021.

The consolidated net profit of Ukrproduct for 2021 amounted to £0.4 million compared with a net loss of £1.2 million loss in 2020.

Financial Position

As at 31 December 2021, Ukrproduct reports net assets of £5.9 million including cash balances of £0.3 million compared to net assets of £5.3 million as of 31 December 2020 with a cash balances of £0.2 million.

For the year ended 31 December 2021, the Group was in breach of several provisions of the loan agreement with the European Bank for Reconstruction and Development ("EBRD"), missed some repayments and the bank has not issued a waiver for the breaches. The Company have been holding negotiations with the EBRD to potentially restructure the loan repayment schedule since June 2021. At this current stage the active phase of negotiations with EBRD have been slowed owing to the ongoing war in Ukraine. At present the EBRD has taken no action to accelerate repayment of the loan.

Outlook

Trading in 2022 has been severely affected by the Russian invasion of Ukraine and the ongoing war. Dairy processing enterprises will not have the opportunity to maximize production capacity in 2022. For the first 5 months of 2022 raw material supply for processing was down to 2.9 million tons (16% lower than last year). Ukrainian regions have experienced a loss of production capacity in the occupied territory and in the war zone. Moreover, damaged infrastructure, and increases in fuel prices complemented with fuel shortages, have impacted transportation and adversely affected logistics costs, both on the supply and distribution side. As the Ukrainian sea ports have been blockaded by the Russian Navy, there is increased pressure on the remaining routes for export. Ukrproduct expects to make provisions for some of its sales to distributors, which operate in the regions engaged in military activities and cannot pay on time.

Jack Rowell	Alexander Slipchuk
Non-Executive Chairman	Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UKRPRODUCT GROUP LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Ukrproduct Group Limited and its subsidiaries (the "Group") which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position as at 31 December 2021, the consolidated statement of changes in equity, consolidated statement of cash flows and notes to the financial statements including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRS') as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2021 and of its results for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Jersey, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

An overview of the scope of our audit

During our audit planning, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements including the consideration of where Directors made subjective judgements, for example, in respect of the assumptions that underlie significant accounting estimates and their assessment of future events that are inherently uncertain. We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole taking into account the Group, its accounting processes and controls and the industry in which it operates.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td>Going Concern

The financial statements have been prepared on a going concern basis as discussed in note 2. The Group is in a net current liability position due to a breach of loan covenants. The net current liability presented in the Consolidated Balance Sheet totalled was in the amount of £3.8m as at 31 December 2021. We included the going concern assumption as a key audit matter given both the continuing net current liability position as well as the ongoing Russian military action in Ukraine (refer note 2.1 b to the financial statements).</td><td>In assessing the appropriateness of the going concern assumption used in preparing the financial statements, our procedures included, amongst others:
▪ Assessing the cash flow requirements of the Group over 12 months from expected signoff of these consolidated;
▪ Understanding what forecast expenditure is committed and what could be considered discretionary;
▪ Assessing the liquidity of existing assets on the statement of financial position that can be used to repay the Group's obligations;
▪ Considering the terms of the EBRD and other bank loan and trade finance facilities and the amount available for drawdown as well as the probability of EBRD agreeing to restructure the facilities;
▪ Considering the impact of the ongoing military conflict in Ukraine to the Group's operations and the Group's business continuity plan, if any; and,
▪ Considering potential downside scenarios and the resultant impact on available funds.

Key Observations
In our opinion, a material uncertainty exists that may cast significant doubt as to the ability of the Group to continue as a going concern. This has been highlighted in our Material uncertainty related to going concern paragraph of the audit report.</td></tr>
</table>

Risk of fraud in revenue recognition Revenue is material and an important determinant of the Group's performance and profitability. This gives rise to inherent risk that revenue recognised is overstated in order to present more profitable results for the year. The Group's revenue from local and export sales of milk, dairy foods and beverages amounted to £51.90 million, excluding the charge of bonuses. Given the magnitude of the amount and the inherent risk of revenue overstatement, we consider revenue recognition to be a key audit matter (Refer to note 2.2.11 & 8).	Our main audit procedures in respect of revenue recognition were as follows: ▪ We obtained an understanding of the policies and procedures applied to revenue recognition, as well as compliance therewith, including an analysis of the effectiveness of the design and implementation of controls related to revenue recognition employed by the Group; ▪ We performed sample based tests of details over the accuracy and occurrence of sales during the year specially responsive to the risk of fraud in revenue occurrence; ▪ We performed analytical procedures, including gross profit margin analysis and obtained explanations for significant variances as compared to the previous year; ▪ We tested a sample of journal entries relating to income recognition by reference to supporting documents; ▪ We performed sales cut-off procedures for a sample of revenue transactions at the year end in order to conclude on whether they were recognized in the correct accounting period; and, ▪ We reviewed the disclosures related to revenue included in the notes to the consolidated financial statements. **Key Observations** We did not note any material issues arising from the procedures performed in this area.

Material uncertainty related to going concern

We draw attention to note 2.1 (b), in the financial statements, which indicates that the Russian Federation launched a full-scale military invasion of Ukraine, and the Group is in breach of covenants in respect of funding received from the European Bank for Reconstruction and Development (EBRD); - these events have continued after the year end. These events and conditions, along with other matters as set in note 2.1 (b) to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our application of materiality

We define materiality as the magnitude of misstatements in the consolidated financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the results of that work. Materiality was determined as follows:

Consolidated financial statements as a whole:
Materiality was calculated at *£520,000* which is approximately *1% of Total Revenue*. This benchmark is considered the most appropriate because, based on our professional judgement, we considered that

this is the primary measure used by the users of the consolidated financial statements in assessing the performance of the Group.

Communication of misstatements to the Board:
We agreed with the Directors that any misstatement above £26,000 identified during our audit will be reported, together with any misstatement below that threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report set out on page 3 to 17 other than the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audits or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement of the consolidated financial statements or a material misstatement of the other information. 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or
- returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the consolidated financial statements

As explained more fully in the Statement of Directors' Responsibilities on page 18, the Directors are responsible for the preparation of the consolidated financial statements which give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group'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 the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) 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 consolidated financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

• We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that relate to the Companies (Jersey) Law 1991 and the AIM Rules for Companies. We also reviewed the laws and regulations applicable to the Group that have an indirect impact on the financial statements.

• We gained an understanding of how the Group is complying with Companies (Jersey) Law 1991 and the AIM Rules for Companies by making inquiries of management. We corroborated our inquiries through our review of minutes of Board of Directors meetings and the review of various correspondence examined in the context of our audit and noted that there was no contradictory evidence.

• We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, by meeting with management to understand where they considered there was susceptibility to fraud. We also considered performance targets and their propensity to influence management to manage earnings and revenue by overriding internal controls. We performed specific procedures to respond to the fraud risk of inappropriate revenue recognition. Our procedures also included testing a risk-based sample of journal entries that may have been posted with the intention of overriding internal controls to manipulate earnings. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.

• Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities.This description forms part of our auditor's report

Use of our report

This report is made solely to the Group’s shareholders as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Group’s shareholders those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group’s shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Ukrproduct Group
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021
(in thousand GBP, unless otherwise stated)

	Note	Year ended 31 December 2021 £ '000	Year ended 31 December 2020 £ '000
Revenue	**8**	51 985	55 508
Cost of sales	**9**	(47 457)	(50 778)
GROSS PROFIT		**4 528**	**4 730**
Administrative expenses	**9**	(1 415)	(1 205)
Selling and distribution expenses	**9**	(2 751)	(2 464)
Other operating expenses	**9**	(192)	(223)
PROFIT FROM OPERATIONS		**170**	**838**
Net finance expenses	**11**	(440)	(486)
Net foreign exchange gain (loss)	**10**	599	(1 547)
PROFIT/(LOSS) BEFORE TAXATION		**329**	**(1 195)**
Income tax credit	**13**	110	35
PROFIT/(LOSS) FOR THE YEAR		**439**	**(1 160)**
Attributable to:			
Owners of the Parent		439	(1 160)
Earnings per share from continuing and total operations:			
Basic (pence)	**26**	1.11	(2.92)
Diluted (pence)	**26**	1.11	(2.92)
OTHER COMPREHENSIVE INCOME			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		244	(494)
Items that will not be reclassified to profit or loss			
Gain on revaluation of property, plant and equipment		-	3 758
OTHER COMPREHENSIVE INCOME, NET OF TAX		**244**	**3 264**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**683**	**2 104**
Attributable to:			
Owners of the Parent		683	2 104
Non-controlling interests		-	-

Ukrproduct Group
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021
(in thousand GBP, unless otherwise stated)

	Note	As at 31 December 2021 £ '000	As at 31 December 2020 £ '000
ASSETS			
Non-current assets			
Property, plant and equipment	**14**	9 795	9 934
Intangible assets	**15**	809	598
		10 604	**10 532**
Current assets			
Inventories	**17**	4 655	7 317
Trade and other receivables	**18**	6 763	6 115
Current taxes	**19**	920	214
Other financial assets	**20**	40	27
Cash and cash equivalents	**21**	312	156
		12 690	**13 829**
TOTAL ASSETS		**23 294**	**24 361**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	**22**	4 282	4 282
Treasury shares		(315)	(315)
Share premium	**23**	4 562	4 562
Translation reserve	**23**	(14 987)	(15 231)
Revaluation reserve	**23**	6 348	7 031
Retained earnings		6 057	4 935
		5 947	**5 264**
TOTAL EQUITY		**5 947**	**5 264**
Non-Current Liabilities			
Liabilities for right-of-use assets		-	13
Deferred tax liabilities	**16**	796	1 029
		796	**1 042**
Current liabilities			
Bank loans	**24**	6 039	6 628
Short-term payables		587	467
Trade and other payables	**25**	9 829	10 947
Current income tax liabilities		41	-
Other taxes payable		55	13
		16 551	**18 055**
TOTAL LIABILITIES		**17 347**	**19 097**
TOTAL EQUITY AND LIABILITIES		**23 294**	**24 361**

Ukrproduct Group
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021
(in thousand GBP, unless otherwise stated)

	Attributable to owners of the parent								
	Share capital	**Treasury shares**	**Share premium**	**Revaluation reserve**	**Retained earnings**	**Translation reserve**	**Total**	**Non-controlling interests**	**Total Equity**
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
As At 31 December 2019	**4 282**	**(315)**	**4 562**	**3 437**	**5 931**	**(14 737)**	**3 160**	**-**	**3 160**
Profit for the year	-	-	-	-	(1 160)	-	**(1 160)**	-	**(1 160)**
Other comprehensive income	-	-	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	(494)	(494)	-	(494)
Total comprehensive income	**-**	**-**	**-**	**-**	**(1 160)**	**(494)**	**(1 654)**		**(1 654)**
Reduction of revaluation	-	-	-	(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	-	-	-	(164)	164	-	**-**	-	**-**
As At 31 December 2020	**4 282**	**(315)**	**4 562**	**7 031**	**4 935**	**(15 231)**	**5 264**	**-**	**5 264**
Profit for the year	-	-	-	-	439	-	**439**	-	**439**
Other comprehensive income	**-**	**-**	-	**-**	-	-	-	-	-
Currency translation differences	-	-	-	-	-	244	244	-	244
Total comprehensive income	**-**	**-**	**-**	**-**	**439**	**244**	**683**	**-**	**683**
Reduction of revaluation reserve	-	-	-	-	-	-	-	-	-
Gain on revaluation of property, plant and equipment	-	-	-	-	-	-	-	-	-
Depreciation on revaluation of property, plant and equipment	-	-	-	(683)	683	-	**-**	-	**-**
As At 31 December 2021	**4 282**	**(315)**	**4 562**	**6 348**	**6 057**	**(14 987)**	**5 947**	**-**	**5 947**

Ukrproduct Group
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021
(in thousand GBP, unless otherwise stated)

	Note	Year ended 31 December 2021 £ '000	Year ended 31 December 2020 £ '000
Cash flows from operating activities			
Profit/(Loss) before taxation		329	(1 195)
Adjustments for:			
Exchange difference	**10**	(599)	1 547
Depreciation and amortization	**9**	1 003	618
Profit/ (Loss)on disposal of non-current assets	**9**	10	(4)
Profit on revaluation	**9**	-	225
Write off of receivables/payables	**9**	192	(53)
Impairment of inventories	**9**	(41)	(42)
Interest income	**11**	-	(2)
Interest expense on bank loans	**11**	441	488
Operation cash flow before working capital changes		**1 335**	**1 582**
Decrease / (Increase) in inventories		2 703	(2 246)
(Increase) / Decrease in trade and other receivables		(1 558)	1 232
(Decrease) / Increase in trade and other payables		(1 118)	1 662
Changes in working capital		**27**	**648**
Cash generated from operations		**1 362**	**2 230**
Interest received		-	2
Income tax paid		12	(2)
Net cash generated from operating activities		**1 374**	**2 230**
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets		(723)	(688)
Proceeds from sale of property, plant and equipment		-	13
Repayments of loans issued		(11)	(3)
Net cash used in investing activities		**(734)**	**(678)**
Cash flows from financing activities			
Interest paid	**24**	(379)	(494)
Decrease in short term borrowing		-	-
Repayments of long term borrowing	**24**	(161)	(525)
Net cash used in financing activities		**(540)**	**(1 019)**
Net Increase in cash and cash equivalents		**100**	**533**
Effect of exchange rate changes on cash and cash equivalents		56	(608)
Cash and cash equivalents at the beginning of the year		**156**	**231**
Cash and cash equivalents at the end of the year	**21**	**312**	**156**

Nature of Financial Information

The financial information contained in this announcement does not constitute statutory accounts as defined under section 113 of the Companies (Jersey) Law 1991 but has been extracted from the Group's 2021 statutory financial statements. It contained no statement under section 113B of the Companies (Jersey) Law 2011. The financial statements for 2021 will be delivered to the Registrar of Companies after adoption at the Company's Annual General Meeting.

EXTRACTS FROM NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

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.

2. Going concern

On 24 February 2022, the Russian Federation launched a full-scale military invasion of Ukraine (Note 32). Having examined the existing and potential implications of the war for the Ukraine located businesses, the management of the Group have identified several points of specific concern that require careful analysis and assessment. They include, but are not limited to, the following:

- risks related to safety of personal;
- risk of physical destruction of the production assets;
- risks of disruption of the supply and distribution chains;
- risk of liquidity and limited access to financing.

In preparing these financial statements, the Directors have assessed the Group's ability to continue as a going concern. The Company performed an analysis of the future cash flows and budgets for the next 12 months based on the known facts and events applying to them, including multiple scenarios as the result of the ongoing war with Russian Federation. The analysis revealed that the Group would continue to maintain sufficient cash resources as well as stable flow of revenues in due course. The Group fully complies with all sanctions rules and regulations regarding Russia and Belarus.

Management is taking steps to secure the supply chain which is vital for operational continuity. The Group concluded contracts with new alternative suppliers, where necessary and developed new logistics routes. The central warehouse was moved to the one of Group's main plant at Zhytomyr, away from the line of active hostilities. Major customers have not been affected by the hostilities and continue to cooperate and fulfil their contractual obligations with the Group. The military action had no critical impact on the local distribution. The share of sales in the most affected regions does not exceed 15%.

Selling, general and administrative and other operating expenses, as well as CAPEX, have been reduced to the minimum required to meet the primary needs of the Group's core business.

The management is exploring various opportunities to attract additional financing to support Group's the liquidity under different state aid programs.

In addition the following key assumptions were used for the forecasts: no further significant progression of Russian troops into the territory of Ukraine that could severely affect the Group's assets, production facilities located in the uncontrolled territories remaining physically undamaged and being able to continue operating; remaining logistic routes will continue to be available; maintain sales level to cover operational expenses level and debt servicing.

For the year ended 31 December 2021, the Group was in breach of several provisions of the loan agreement with EBRD, missed some repayments and the bank has not issued a waiver for the breaches. The Company has been holding negotiations with the EBRD to potentially restructure the loan repayment schedule since June 2021. At this current stage the active phase of negotiations with EBRD have been slowed owing to the ongoing war in Ukraine. At present the EBRD has taken no action to accelerate repayment of the loan.

The financial statements are prepared using the going concern basis assumption.

2. Bank Loans and short-term payables

As at 31 December 2021 the Group has two loans: the loan from Creditwest Bank in the amount of 1.735 thousand GBP (in UAH 63.9 million) and the loan from the EBRD in the amount of 4.304 thousand GBP (in EUR 5.127 thousand).

In March 2021 the Group made a principal payment at the amount of EUR 65 435 and an interest payment of EUR 32 240. The Group agreed to defer the principal amount payment of EUR 200 000 due to the loan terms.

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. The Group settled the interest amount due June 2021, however it did not repay the quarterly loan tranche due on that date. In September 2021 with reference to the loan agreement, the Group settled the payment of interest in the amount of EUR 28 582 and overdue principal in the amount of EUR 107 200. In December 2021 the Group settled only the interest in the amount of EUR 29 899.

The Group classified the loan from the EBRD as a current liability following the breach of certain covenants and as no formal waivers were received by the Group from the EBRD. At present the EBRD has taken no action to accelerate repayment of the loan.

Bank	**Currency**	**Type**	**Opening date**	**Termination date**	**Interest rate**	**Limit** **£ '000**	**As At 31 December 2021** **£ '000**	**As at 31 December 2020** **£ '000**
EBRD	EUR	Loan	31.03.2011	30.11.2024	5-7%	7 070	4 304	4 956
Creditwest Bank Ukraine	UAH	Credit line	05.02.2018	05.02.2021	15.89%	2 095	1 735	1 672
Total							**6 039**	**6 628**

The average interest rate as at 31 December 2021 was 11% (2020: 11%).

SUBSEQUENT EVENTS

(a) EBRD – breach of loan covenants

As at 31 December 2021 the Group had been in breach of loan covenants with EBRD. As at the date of this announcement, the EBRD has taken no action to accelerate either repayment of the EBRD loan, or its put right.

(b) War

On 24 February 2022, the Russian Federation launched a full-scale military invasion of Ukraine. The ongoing military attack has caused and continues to cause significant casualties, population displacement, infrastructure damage and disruption to economic activity in Ukraine. Seaports and airports are closed and damaged. Export through seaports is completely frozen. This raises significant pressure on other means of alternative transportation for export operation. The situation remains highly volatile and the outlook highly uncertain.

On 15 March 2022, the Verkhovna Rada of Ukraine adopted the Law of Ukraine "On amendments to the Tax Code of Ukraine and other legislative acts of Ukraine concerning the effect of regulations for the period of martial law" № 2120-IX in order to support Ukrainian business for the period of martial law. The key innovation is that all companies can now waive VAT and income tax (CIT) by switching to a 2% sales tax. For automotive fuel, the excise tax is reset to zero, and the VAT rate is reduced from 20% to 7%.

As of the date of this report, the Group continues to operate. The management of the Group controls all its operations. The Group's production facilities are located in Khmelnytskyi and Zhytomyr regions, where missiles attacks have been incurred. As a result, the Group's business activities have been affected as follows:

- none of the Group's critical facilities or infrastructure has suffered any significant damage;
- as at 28 September 2022 all the Group's assets are located in the de-occupied territories;
- the Group does not have a labor shortage and has managed to retain its staff. Office staff work remotely, while production staff work at their sites;
- the Group have lost sales of dairy products in the occupied territories;
- Black Sea ports in Ukraine remain blocked for export activities. Alternative logistics chains for dairy products exports by other means of transportations have been developed;
- the Group concluded contracts with new alternative suppliers.

As of June 2022 the price of energy-intensive products increased by up to 90.9% because of the war and overall input prices are expected to rise considerably. The higher prices of these inputs will translate into higher production costs.

War has interrupted regular economic and livelihood activities and has constrained income flows. In January 2022 Ukraine experienced elevated levels of food price inflation prior to the outbreak of the war. In June 2022, consumer inflation accelerated to 21.5% yoy, up from 18% in May. Concerns exist that the continuation of hostilities and war-induced disruptions could keep food inflation levels persistently high in Ukraine, thus decreasing the purchasing power of local populations adversely affect the Group's net sales.