



29 June 2023

**UKRPRODUCT GROUP LIMITED**  
**(“Ukrproduct”, the “Company” or, together with its subsidiaries, the “Group”)**

**FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022**  
**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 2022.

The 2022 Annual Report and Accounts (“2022 Annual Report”) has been posted to shareholders and is available on the Company’s website at [www.ukrproduct.com](http://www.ukrproduct.com). A notice of Annual General Meeting (“AGM”) and Proxy Form, will be shortly posted too.

The AGM will be held at the 6th floor, office 36, 8 Sikorsky Street, Kyiv, Ukraine, 04112 at 5.00 pm (Kyiv time) / 3.00 pm (London time) on 3 August 2023.

For further information contact:

Ukrproduct Group Ltd  
Jack Rowell, Non-Executive Chairman  
Alexander Slipchuk, Chief Executive Officer

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## 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).

While reporting on the results of the financial year 2022, it is necessary to highlight that the unprovoked and illegal aggression of Russia has completely obscured the peace and life of all Ukrainians and placed a heavy toll on the business in Ukraine. The impact of these factors and the resulting uncertainties on the Company’s results, balance sheet and cash flows have been considered and are reflected in the figures reported. The Group has had to adjust to the new emergency conditions, the key objectives of which were to ensure the safety of the employees and to maintain operations and assets. One of the key challenges for the Group’s operations has been the inability to export goods via Ukrainian Black Sea ports, which significantly reduced the Group’s export operations in the first half of 2022. The Group focused its efforts on establishing alternative export routes via the border between Ukraine and the EU.

Ukrproduct’s consolidated revenue in FY2022 fell by 19.9% in local currencies. The general decline in sales in the domestic market is due to a decrease in the solvency of consumers, the outflow of Ukrainian population and the loss of part of the Ukrainian sales market due to active hostilities and the temporary occupation of territories in Ukraine. After currency translation, revenue decreased by 24.8% to £39.1 million year-on-year, due to the 6% impact of foreign exchange rates, in particular reflecting the depreciation of the Ukrainian Hryvnia against the British pound.

In the processed cheese and processed cheese product category, sales amounted to £22.6 million, reflecting a revenue increase of 5.4% compared with the previous year on a nominal basis, although sales represented a decline of 18.3% in volume. Sales have fallen due to market trends, the termination of cooperation with some retail networks and losses of some export sales.

In FY2022, butter sales reduced considerably, on a nominal basis, by 61.6% compared with the previous year, to £3.4 million. This was due to the planned butter reduction, especially low-margin contracts. The Company took a flexible approach by focusing on priority sales channels (export, key distributors), and benefiting from margin improvements. A significant price increase of butter in Ukraine and marginality growth assisted to offset much of the volume decline within the segment.

Sales of spreads increased to £5.6 million in FY2022 compared with £4.4 million in the prior year. This constituted an increase in sales of 35.9%, on a nominal basis, but reduction of 1.1% in volume. This is mainly attributable to the losses of some export sales.

Sales generated from skimmed milk powder decreased by 22.1% on a nominal basis to £2.5 million, compared with £3.4 million in the previous year. In terms of volume, skimmed milk powder sales decreased by 44.6%, impacted by difficulties with the Black Sea ports in Ukraine.

The Group's skimmed milk powder sales and exports from Ukraine in the first half of the year reduced by 69% year on year due to the low demand for the supply of skimmed milk powder to outside countries.

Sales of kvass and beverages amounted to £1.1 million in FY2022, corresponding to a decline of 33.7% on a nominal basis and 38.3% in terms of volume, in each instance compared with the previous period. The decrease was principally due to the late start of the season due to active hostilities in key kvass sales regions, impacting the period of active sales which was less than half that achieved in FY2021.

In FY2022, the Group's administrative and selling expenses amounted to £4.1 million; a 2.5% decrease compared to FY2021. The Group optimized costs for payroll, rents, communication and banks services. The Group's Central Warehouse was closed, and its functions were transferred to production warehouses in Zhytomyr. Marketing campaigns were also significantly reduced. As a result of a 87.6% increase in fuel prices, transport and logistics costs increased by 26.0% in FY2022 compared to the previous period, to £1.1 million.

Due to the impact of the war, other operating expenses during the reporting period totaled £1.6 million (2021: £0.2 million), including losses from impairment of trade receivables, write-off of materials and finish goods, fines, and VAT losses.

The Group's operations recorded an EBITDA of £1.7 million, representing an increase of 57.2% year on year. The Group's EBITDA margin improved from 2.2% to 4.6%. This notable performance was largely attributed to a significant reduction in marketing and trade marketing activities, several product price increases, a reduction in the cost of production and an increase in production efficiency, and a focus on the most profitable product groups.

Net loss after tax for FY2022 amounted to a loss of £0.8 million, a decrease of £1.2 million compared to FY2021, stemming from the negative currency translation due to the 26% devaluation of the Ukrainian hryvnia against the Euro.

## **Financial Position**

As at 31 December 2022, Ukrproduct reported net assets of £4.6 million including cash balances of £0.4 million compared to net assets of £5.9 million as at 31 December 2021 and a cash balances of £0.3 million.

For the year ended 31 December 2022, the Group was in breach of several provisions of its loan agreement with the European Bank for Reconstruction and Development ("EBRD") and missed repayments for which the bank has not issued a waiver. The Company have been holding negotiations with the EBRD to potentially restructure the loan repayment schedule since June 2021. These negotiations with EBRD are ongoing. At present, the EBRD has taken no action to accelerate repayment of the loan.

## **Outlook**

The Company continues to make every effort to navigate its strategy in a changing business environment and to respond to new challenges. The Group expects that in 2023 the focus will be placed on maintenance of the existing production facilities, maintaining sales volumes and increasing operating efficiency.

Jack Rowell

Non-Executive Chairman

Alexander Slipchuk

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 2022, 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 United Kingdom.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2022 and of its results for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the United Kingdom; 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.

Key Audit Matter	How the matter was addressed in the audit
<p><b><i>Going Concern</i></b></p> <p>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 £3.47m as at 31 December 2022. 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).</p> <p><b><i>Risk of fraud in revenue recognition</i></b></p> <p>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 £39.11 million, excluding the charge of bonuses. Given the magnitude of the amount and the inherent</p>	<p>In assessing the appropriateness of the going concern assumption used in preparing the financial statements, our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>▪ Assessing the cash flow requirements of the Group over 12 months from expected signoff of these consolidated;</li> <li>▪ Understanding what forecast expenditure is committed and what could be considered discretionary;</li> <li>▪ Assessing the liquidity of existing assets on the statement of financial position that can be used to repay the Group's obligations;</li> <li>▪ 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;</li> <li>▪ 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,</li> <li>▪ Considering potential downside scenarios and the resultant impact on available funds.</li> </ul> <p><b>Key Observations</b></p> <p>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.</p> <p>Our main audit procedures in respect of revenue recognition were as follows:</p> <ul style="list-style-type: none"> <li>▪ 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;</li> <li>▪ We performed sample based tests of details over the accuracy and occurrence of sales during the</li> </ul>

risk of revenue overstatement, we consider revenue recognition to be a key audit matter (Refer to note 2.2.11 & 8).

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.

***Risk of Management Override of Controls***

Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk. Also, the Group has voluminous transactions and requires complex calculations.

Our main audit procedures in respect of Management Override of Controls were as follows:

- We have obtained an understanding of the financial reporting process.
- We have reviewed opening balances and completeness of journals.
- We have reviewed high-risk journals as a part of our testing.
- We have reviewed accounting estimates and potential management bias.

**Key Observations**

We did not note any material issues arising from the procedures performed in this area.

***Risk of Foreign exchange results***

The risk in foreign exchange difference is due to the instability of the Ukrainian Hryvnia (UAH) against to the EUR, USD and GBP. In addition, the Group's functional currency is UAH, while the Group's financial statements are presented in GBP. We included the

Our main audit procedures in respect of foreign exchange results were as follows:

- We have tested the appropriate calculation of the movement in the currency translation from functional currency to reporting currency by

<p>foreign exchange results as a key audit matter as the ongoing Russian military action in Ukraine (refer note 1c, 2.2.1 and Note 10 to the financial statements).</p> <p><b><i>Risk of Non-compliance with loan covenants</i></b></p> <p>The Group has ERBD loans and there is a risk that the group doesn't meet the debt service ratio as per stated in the loan agreement. Continuous of violating (same breach in prior year) the Group's loan covenants could have a potential material unfavourable impact to the Group.</p> <p>During the review of loan agreements, we noted that there is non-compliance with certain covenants contained within those agreements. Please refer note 24 to the financial statements).</p> <p><b><i>Risk of Subsequent Events</i></b></p> <p>Due to ongoing Russian invasion in Ukraine, there is a risk that the group hasn't disclosed enough information in relation to subsequent war.</p>	<p>audit procedures on all translations included in the consolidation file prepared by management.</p> <ul style="list-style-type: none"> <li>• We have assessed the adequacy of the disclosures relating to exchange differences in the financial statements.</li> </ul> <p><b>Key Observations</b></p> <p>We did not note any material issues arising from the procedures performed in this area.</p> <p>Our main audit procedures in respect of Non-compliance with loan covenants were as follows:</p> <ul style="list-style-type: none"> <li>• We have recalculated the loan covenant and confirmed that they are according to the terms of the loan.</li> <li>• We have reviewed the correspondences with EBRD.</li> <li>• We have checked the contact with EBRD in relation to their view and actions on the breach of terms of the loan agreement (loan covenants) and failure to pay interest and capital repayments.</li> </ul> <p><b>Key Observations</b></p> <p>We have noted a material issue arising from the procedures performed in this area. The specific instance identified by our audit was: <b>Debt Service Ratio</b></p> <p>Based on the agreement, the indicator for debt service ratio should be "&gt;1.2". However, as per our audit re-calculation, the indicator is equal to 0.8</p> <p>Our main audit procedures in respect of Subsequent events were as follows:</p> <ul style="list-style-type: none"> <li>• We have obtained an understanding of the procedures management has established to ensure that subsequent events are identified.</li> <li>• We enquired of management whether any subsequent events have occurred which might affect the financial statements.</li> <li>• We read minutes of all relevant meetings since the end of the reporting period to identify any relevant subsequent events, to include where applicable:</li> </ul>
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	<ul style="list-style-type: none"> <li>a. general meetings;</li> <li>b. management meetings;</li> <li>c. board meetings.</li> <li>• We read all management and interim financial statements produced since the end of the reporting period.</li> </ul> <p><b>Key Observations</b></p> <p>We did not note any material issues arising from the procedures performed in this area.</p>
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## 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 £391,108 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 £19,555 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.

### **Jeff Vincent**

For and on behalf of Moore Stephens Audit & Assurance (Jersey) Limited  
1 Waverley Place, Union Street, St Helier Jersey  
Channel Islands  
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**Ukrproduct Group**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
*(in thousand GBP, unless otherwise stated)*

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	Year ended 31 December 2022 £ '000	Year ended 31 December 2021 £ '000
Revenue	39 111	51 985
Cost of sales	(32 555)	(47 457)
<b>GROSS PROFIT</b>	<b>6 556</b>	<b>4 528</b>
Administrative expenses	(1 342)	(1 415)
Selling and distribution expenses	(2 719)	(2 751)
Other operating expenses	(1 571)	(192)
<b>PROFIT FROM OPERATIONS</b>	<b>924</b>	<b>170</b>
Net finance expenses	(466)	(440)
Net foreign exchange (loss)/gain	(1 113)	599
<b>(LOSS)/PROFIT BEFORE TAXATION</b>	<b>(655)</b>	<b>329</b>
Income tax credit	(149)	110
<b>(LOSS)/PROFIT FOR THE YEAR</b>	<b>(804)</b>	<b>439</b>
<b>Attributable to:</b>		
Owners of the Parent	(804)	439
<b>Earnings per share from continuing and total operations:</b>		
Basic (pence)	(2.03)	1.11
Diluted (pence)	(2.03)	1.11
<b>OTHER COMPREHENSIVE INCOME</b>		
<b>Items that may be subsequently reclassified to profit or loss</b>		
Currency translation differences	(550)	244
<b>Items that will not be reclassified to profit or loss</b>		
<b>OTHER COMPREHENSIVE INCOME, NET OF TAX</b>	<b>(550)</b>	<b>244</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>(1 354)</b>	<b>683</b>
<b>Attributable to:</b>		
Owners of the Parent	(1 354)	683
Non-controlling interests	-	-

**Ukrproduct Group**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2022**  
*(in thousand GBP, unless otherwise stated)*

	As at 31 December 2022 £ '000	As at 31 December 2021 £ '000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	7 916	9 795
Intangible assets	681	809
	<b>8 597</b>	<b>10 604</b>
<b>Current assets</b>		
Inventories	4 296	4 655
Trade and other receivables	3 073	6 763
Current taxes	591	920
Other financial assets	35	40
Cash and cash equivalents	403	312
	<b>8 398</b>	<b>12 690</b>
<b>TOTAL ASSETS</b>	<b>16 995</b>	<b>23 294</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	4 282	4 282
Treasury shares	(315)	(315)
Share premium	4 562	4 562
Translation reserve	(15 537)	(14 987)
Revaluation reserve	6 005	6 348
Retained earnings	5 597	6 057
<b>TOTAL EQUITY</b>	<b>4 594</b>	<b>5 947</b>
<b>Non-Current Liabilities</b>		
Deferred tax liabilities	530	796
	<b>530</b>	<b>796</b>
<b>Current liabilities</b>		
Bank loans	6 116	6 039
Short-term payables	493	587
Trade and other payables	5 162	9 829
Current income tax liabilities	48	41
Other taxes payable	52	55
	<b>11 871</b>	<b>16 551</b>
<b>TOTAL LIABILITIES</b>	<b>12 401</b>	<b>17 347</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>16 995</b>	<b>23 294</b>

**Ukrproduct Group**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
*(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
<b>As At 31 December 2020</b>	<b>4 282</b>	<b>(315)</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 year	-	-	-	-	439	-	439	-	439
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Currency translation differences	-	-	-	-	-	244	244	-	244
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>439</b>	<b>244</b>	<b>683</b>	<b>-</b>	<b>683</b>
Reduction of revaluation reserve	-	-	-	-	-	-	-	-	-
Gain on revaluation of property, plant and equipment	-	-	-	-	-	-	-	-	-
Depreciation on revaluation of property, plant and equipment	-	-	-	(683)	683	-	-	-	-
<b>As At 31 December 2021</b>	<b>4 282</b>	<b>(315)</b>	<b>4 562</b>	<b>6 348</b>	<b>6 057</b>	<b>(14 987)</b>	<b>5 947</b>	<b>-</b>	<b>5 947</b>
Loss for the year	-	-	-	-	(804)	-	(804)	-	(804)
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Currency translation differences	-	-	-	-	-	(550)	(550)	-	(550)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(804)</b>	<b>(550)</b>	<b>(1 354)</b>	<b>-</b>	<b>(1 354)</b>
Reduction of revaluation reserve	-	-	-	-	-	-	-	-	-
Gain on revaluation of property, plant and equipment	-	-	-	-	-	-	-	-	-
Depreciation on revaluation of	-	-	-	(343)	343	-	-	-	-
<b>As At 31 December 2022</b>	<b>4 282</b>	<b>(315)</b>	<b>4 562</b>	<b>6 005</b>	<b>5 596</b>	<b>(15 537)</b>	<b>4 594</b>	<b>-</b>	<b>4 594</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 31 DECEMBER 2022**  
*(in thousand GBP, unless otherwise stated)*

	Year ended 31 December 2022 £ '000	Year ended 31 December 2021 £ '000
<b>Cash flows from operating activities</b>		
(Loss)/Profit before taxation	(655)	329
Adjustments for:		
Exchange differences	1 113	(599)
Depreciation and amortization	882	1 003
Profit on disposal of non-current assets	-	10
Write off of receivables/payables	1 065	192
Impairment of inventories	121	(41)
Interest income	(6)	-
Interest expense on bank loans	471	441
<b>Operation cash flow before working capital changes</b>	<b>2 991</b>	<b>1 335</b>
Decrease in inventories	94	2 703
Decrease / (Increase) in trade and other receivables	3 116	(1 558)
Decrease in trade and other payables	(4 986)	(1 118)
<b>Changes in working capital</b>	<b>(1 776)</b>	<b>27</b>
<b>Cash generated from operations</b>	<b>1 215</b>	<b>1 362</b>
Interest received	6	-
Income tax paid	(201)	12
<b>Net cash generated from operating activities</b>	<b>1 020</b>	<b>1 374</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment and intangible assets	( 409)	(723)
Repayments of loans issued	(2)	(11)
<b>Net cash used in investing activities</b>	<b>(411)</b>	<b>(734)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(292)	(379)
Repayments of long term borrowing	-	(161)
<b>Net cash used in financing activities</b>	<b>(292)</b>	<b>(540)</b>
<b>Net Increase in cash and cash equivalents</b>	<b>317</b>	<b>100</b>
Effect of exchange rate changes on cash and cash equivalents	( 226)	56
<b>Cash and cash equivalents at the beginning of the year</b>	<b>312</b>	<b>156</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>403</b>	<b>312</b>

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 29 June 2023 and were signed on its behalf by Mr. Alexander Slipchuk.

## **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 2022 statutory financial statements. It contained no statement under section 113B of the Companies (Jersey) Law 2011. The financial statements for 2022 will be delivered to the Registrar of Companies after adoption at the Company's Annual General Meeting.

## **EXTRACTS FROM NOTES TO CONSOLIDATED FINANCIAL STATEMENT**

### **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 the 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**

At the time of publication of the annual report the war, which began on 24 February 2022, is ongoing and the significant general uncertainties inherent to the continued war still exist. The Group's management has analyzed the observable impact of the war on its business as described below, and has taken the following actions in response to the current situation:

- For the period after the Russian invasion of Ukraine 58 employees joined Ukrainian military forces and territorial defense. Personnel of production facilities and central office remained in their working area or worked remotely. The Group does not have a labor shortage and has managed to retain its staff;
- No critical assets preventing the Group to continue operations are damaged or located in the uncontrolled territories. The Group optimized utilization of production facilities to meet domestic demand and export orders;
- All of the Group's inventories are in good condition and are in safe storage.
- Export sales flow via Ukrainian ports was reduced significantly. Alternative export routes are expanded in length and are significantly more expensive in comparison with sea. Black Sea ports in Ukraine remains blocked for export activities.
- During the fourth quarter of 2022, there were severe power outages in Ukraine caused by Russia's attacks on Ukrainian power generation and distribution infrastructure. These outages caused temporary instability of work of the Group. To mitigate the impact on its business, the Group equipped its key assets with diesel generators. Difficulties with power supply persisted throughout January 2023 and only began to partially improve in February 2023.
- 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 loss of the market in the east and south of the country is expected to be offset partly by increased demand in central and western Ukraine, where a large number of internally displaced persons temporarily reside.



Management acknowledges that future development of military actions and their duration represent a single source of material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, the Group may be unable to realize its assets and discharge its liabilities in the normal course of business. Despite the single material uncertainty relating to the war in Ukraine, management is continuing to take actions to minimize the impact on the Group and thus believes that application of the going concern assumption for the preparation of these Consolidated financial statements is appropriate.

For the year ended 31 December 2022, the Group was in breach of several provisions of its loan agreement with the EBRD and missed repayments which the bank has not issued a waiver for. The Company have been holding negotiations with the EBRD to potentially restructure the loan repayment schedule since June 2021. The negotiations with EBRD are ongoing. At present the EBRD has taken no action to accelerate repayment of the loan.

### 3. Bank loans and short-term payables

As at 31 December 2022 the Group has two loans: the loan from Creditwest Bank in the amount of 1.451 thousand GBP (in UAH 63.860 million) and the loan from the EBRD in the amount of 4.665 thousand GBP (in EUR 5.309 thousand).

For the year ended 31 December 2022, the Group was in breach of several provisions of its loan agreement with the EBRD. With the beginning of the military aggression of the Russian Federation against Ukraine on 24 February 2022 the Group suspended all the principal payments and interests of EBRD loans as a result of force majeure circumstances, which the bank has not issued a waiver for.

Ukrproduct has been in negotiations with the EBRD to potentially restructure the loan repayment schedule since June 2021. The negotiations with EBRD are ongoing. At present the EBRD has taken no action to accelerate repayment of the loan

Bank	Currency	Type	Opening date	Termination date	Interest rate	Limit	As At 31 December 2022	As at 31 December 2021
						£ '000	£ '000	£ '000
EBRD	EUR	Loan	31.03.2011	30.11.2024	5-7%	7 347	4 665	4 304
Creditwest Bank Ukraine	UAH	Credit line	05.02.2018	05.02.2021	15.89%	1 477	1 451	1 735
<b>Total</b>							<b>6 116</b>	<b>6 039</b>

The average interest rate as at 31 December 2022 was 11% (2021: 11%).

## SUBSEQUENT EVENTS

### (a) EBRD – breach of loan covenants

As at 31 December 2022 the Group had been in breach of loan covenants with EBRD. The Group was still in breach of this covenant as at 01 June 2023. Ukrproduct has been in negotiations with the EBRD to potentially restructure the loan repayment schedule since June 2021. The negotiations with EBRD are ongoing.

## **(b) Foreign exchange rates**

Post year end, the Ukrainian Hryvnia has strengthened against the USD, EUR and GBP. According to the information provided by the National Bank of Ukraine, the main exchange rates are set at the following rates:

<b>Currency</b>	<b>29 June 2023</b>
UAH/GBP	46.31
UAH/USD	36.57
UAH/EUR	40.00

## **(c) 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.

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 30 June 2023 all the Group's assets are located in the non-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.