PJSC KMZ INDUSTRIES

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

Together with Independent Auditor's Report

Екземпляр BDO
Просимо повернути
після підписання

BDO

PJSC KMZ INDUSTRIES

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

Together with Independent Auditor's Report

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the independent auditor's responsibilities stated in the independent auditor's report on pages 4-11, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the consolidated financial statements of the PJSC KMZ Industries (hereinafter – "the Company") and its subsidiary (hereinafter – "the Group").

Management of the Group is responsible for the preparation of the consolidated financial statements (hereinafter – the financial statements) that present fairly, in all material respects, the financial position of the Group as at 31 December 2018, comprehensive income and loss, as well as cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards (hereinafter – "IFRS").

In preparing the financial statements, the management of the Group is responsible for:

- selecting suitable accounting principles and applying them consistently;
- making reasonable assumptions and estimates;
- compliance with relevant IFRS and disclosure of all material departures in notes to the financial statements;
- preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future except when this assumption is inappropriate.

Management of the Group is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group and which enable them to ensure that the financial statements comply with IFRS;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- preventing and detecting fraud and other irregularities.

The consolidated financial statements for the year ended 31 December 2018 were approved on 01 November 2019 on behalf of the Group's management:

Director ______________________

Chief Accountant ______________________

BDO

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INDEPENDENT AUDITOR'S REPORT

To the National Securities and Stock Market Commission

and

the Shareholders of Public Joint-Stock Company KMZ Industries

Report on the audit of the consolidated financial statements

Qualified opinion

We have audited the consolidated financial statements of the Public Joint-Stock Company KMZ Industries (EDRPOU code 14311169, address: 2, Sergiya Nigoyana Street, Karlivka town, Poltava region, 39500; hereinafter - the Company), which comprise:

- Consolidated balance sheet (Statement of financial position) as at 31 December 2018;
- Consolidated income statement (statement of comprehensive income) for 2018;
- Consolidated statement of cash flows (under direct method) for 2018;
- Consolidated statement of changes in equity for 2018;
- Notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effect of the matters set forth in Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Law of Ukraine "On accounting and reporting in Ukraine" dated 16.07.1999 No. 996-XIV in respect of financial statements preparation.

BDO LLC, a Ukrainian LLC, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

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Basis for qualified opinion

Employee benefits

As of 31 December 2018, the Company has calculated pension liabilities arising from a legal obligation to compensate the Pension Fund of Ukraine with supplementary pensions paid to certain categories of current and former Group employees (Note 21) without the involvement of a certified actuarial expert. In our opinion, a relatively high level of uncertainty is inherent in the assessment of pension liabilities. We have not been able to reduce this risk of uncertainty to an acceptable level through alternative audit procedures. As such, we were unable to determine whether adjustments to the amount of pension liabilities that are reflected in the consolidated statement of financial position of USD 193 thousand as of 31 December 2018, and components of the statements of financial position, profit or losses and other comprehensive income, changes in equity and cash flows as of 31 December 2018, and for the year ended 31 December 2018.

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (further - IESBA Code), and ethical requirements applicable in Ukraine to our audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other matters

The audit of the Company's consolidated financial statements for the year ended 31 December 2017 was conducted by another auditor who expressed an unmodified opinion on these consolidated financial statements dated 23 April 2018.

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. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	Description of audit procedures
1 Effect of application of IFRS 15 Revenue from Contracts with Customers	
The Company applied International Financial Reporting Standard 15 Revenue Contracts with Customers" (hereafter "IFRS 15") from 1 January 2018, using a modified retrospective approach. In	▪ We received the management's analysis of a possible impact of IFRS 15 on the Company's accounting

Key audit matters	Description of audit procedures
1 Effect of application of IFRS 15 Revenue from Contracts with Customers	
order to account for revenue from contracts with customers, IFRS 15 provides for a five-step model and requires revenue recognition in the amount of consideration, to which the Company expects to be entitled in exchange for the transfer of goods or services to the customer. IFRS 15 requires that judgments be applied and take into account all relevant facts and circumstances at each stage of the model for contracts with customers. The standard also contains requirements for accounting for additional costs for the conclusion of a contract and costs directly related to the contract execution. In addition, the standard requires more disclosures. Fulfillment of standard requirements by the management, in particular, identifying a contract, identifying performance obligations, determining a transaction price, involves the use of significant assessments and judgments. As a result, there is a possibility of a significant difference in the estimation and revenue recognition due to the subjectivity of the estimation. See Note 7 to these consolidated financial statements.	▪ We evaluated the Company's internal controls implemented to timely identify, validate and ensure the completeness and adequacy of accrued revenue in the accounting. ▪ We analyzed the key matters of recognizing revenue under IFRS 15 that were used by the Company's management to account for revenue in 2018 and to correctly apply the transitional provisions of IFRS 15. ▪ We reviewed the Company's use of the five-step revenue recognition model, which consists of the following steps: identifying contract with customers, identifying performance obligations, determining a transaction price, allocating the transaction price to performance obligations and revenue recognition in the performance of the obligation ▪ We have analyzed on a sampling basis the various elements in the executed contracts with customers to understand compliance with the contract, and the availability of separate goods or services. ▪ We have assessed on a sampling basis historical business practices in place, such as discounts, rebates, or anticipated promises to determine whether such practices should be considered in the context of contract evaluation. ▪ We analyzed the adequacy and consistency of disclosure of qualitative and quantitative information that would allow users of financial statements to assess the nature, volume, timing and possible uncertainty of revenues and cash flows arising from contracts with customers.

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Key audit matters	Description of audit procedures
2 Effect of application of IFRS 9 Financial Instruments	
In accordance with the requirements of the International Financial Reporting Standard 9 Financial Instruments (hereafter "IFRS 9"), starting from 1 January 2018, the Company's management prospectively estimates expected credit losses associated with receivables from buyers and customers and recognizes allowance for credit losses for each reporting date. The estimation of expected credit loss represents the unbiased and probabilistic amount determined by measuring the range of possible outcomes and reflects all reasonable and verified information about past events, current conditions, and projected future economic conditions available at the reporting date. The degree of accuracy of the management's assessment will be confirmed or disproved by the development of future events that are inherently uncertain. We have drawn particular attention to estimating the allowance for credit losses on receivables from buyers and customers due to the complexity of the process, the use of significant management judgments, and the amount of the allowance may be significant. See Note 17 to these consolidated financial statements.	▪ We have verified the methodology for estimating expected credit losses in respect of receivables from buyers and customers used by the Company's management; ▪ We have reviewed on a sampling basis the accuracy of the classification of receivables balances of buyers and customers for their further collective or individual assessment, depending on the characteristics of credit risk and overdue period; ▪ We have reviewed on a sampling basis the ageing of receivables from buyers and customers to confirm the duration of the delay in payment; ▪ We have reviewed, on a sampling basis, payments of previous periods, information on which was used to calculate the expected credit losses; ▪ We have reviewed the compliance with the disclosures in Notes to the financial statements, the disclosure requirements of IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures;

Other information

Management of the Company is responsible for the other information prepared as at and for the year ended 31 December 2018.

Other information includes the following reports:

1. Management report for 2018.
2. Annual information of the issuer for 2018;

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Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

Management Report for 2018

The Company prepared and made public the Management Report for 2018 dated 26 April 2019. In the 2018 Management Report, we did not detect a material inconsistency between the other information and the financial statements or our knowledge obtained during the audit, or whether this information appears to be materially misstated, and we have not identified any facts that would need to be included in our independent auditor's report.

Annual Information of the Issuer for 2018

The Company prepared and made public the Annual Information of the Issuer for 2018 dated 26 April 2019. In the Annual Information of the Issuer for 2018, we did not detect a material inconsistency between the other information and the financial statements or our knowledge obtained during the audit, or whether this information appears to be materially misstated, and we have not identified any facts that would need to be included in our independent auditor's report.

Responsibility of management and those charged with governance for the consolidated financial statements

Management of the Company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS and the requirements of the Law of Ukraine "On accounting and reporting in Ukraine" dated 16.07.1999 No. 996-XIV in respect of financial statements preparation, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern assumptions as a basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Company.

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Auditor's responsibility for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances,

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Auditor's responsibility for the audit of the consolidated financial statements

we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the requirements of other laws and regulations

This information is provided in compliance with the requirements of Article 14, paragraph 4, of the Law of Ukraine "On Audit of Financial Reporting and Audit Activity" dated 21 December 2017, No. 2258-VIII on the provision of additional information based on the results of statutory audit of a public interest entity:

- BDO LLC was appointed to perform this statutory audit assignment by the Company's Supervisory Board on 29 March 2019, in accordance with the Charter. The Report on the Audit of Financial Statements section of this Independent Auditor's Report discloses the scope of the audit and the inherent limitations.
- Total duration of the statutory audit assignment in respect of the financial statements by BDO LLC, taking into account the prolongation of authorities that took place, and the repeated appointments, is one year. For BDO LLC, this assignment is also the first year of BDO LLC's mandatory audit of the Company's financial statements after the Company has been recognized as a public interest entity in accordance with the requirements of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" dated 16 July 1997. No. 996-XIV.
- In the Key Audit Matters section of this report, we disclosed matters that were of greatest importance during the audit of the current period's financial statements and which, according to our professional judgment, should be focused towards. These matters were considered in the context of our audit of financial statements as a whole and taken into account when forming our opinion on it; in doing so, we do not express a separate opinion on these matters. During this statutory audit assignment, we did not identify any other matters relating to the audit estimates other than those mentioned in the Key Audit Matters section of this report, the information about which we consider appropriate to disclose in accordance with the requirements of paragraph 4.3 Article 14 of the Law "On the Audit of Financial Reporting and Audit Activity" dd. 21.12.2017 No. 2258-VIII.
- The information contained herein regarding the audit of the Company's financial statements was agreed with the information in the Supplementary Report for the Audit Committee dated 01 November 2019.
- During 2018, BDO LLC did not provide the Company with other services, except for statutory audit services.

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Report on the requirements of other laws and regulations

- BDO LLC and the Key Audit Partner are independent to the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (further - IESBA Code). During the audit, we have not identified any additional facts or issues that could affect our independence and which we would like to draw your attention to. BDO LLC did not provide the Company with other services prohibited in accordance with the requirements of Article 6 of the Law of Ukraine "On the Audit of Financial Statements and Audit Activities" dated 21 December 2017, No. 2258-VIII for 2018 and from 1 January 2019 to the date of signing this independent auditor's report.

The audit was performed under the supervision of the Key Audit Partner, Chernovol Vadym M.

Key Audit Partner — Chernovol V. M.

Registration number with the Register of auditors and auditing companies: 101536

For and on behalf of BDO LLC

Director — Balchenko S.O.

Registration number with the Register of auditors and auditing companies: 101086

Kyiv, 01 November 2019

Limited Liability Company BDO. Identification code under EDRPOU: 20197074. Registration number with the Register of auditors and auditing companies: 2868. Legal address: 4, Andriia Fabra Street, Dnipro, 49070. Tel. 044-393-26-91.

BDO LLC is included in the Register of auditors and auditing companies in section 4 «Auditing companies entitled to perform statutory audits of financial statements of public interest entities». Link to the Register: https://www.apu.com.ua/subjekty-audytorskoi-dijalnosti-jaki-majut-pravo-provodyty-obovjazkovyj-audyt-finansovoi-zvitnosti-pidpryjemstv-shho-stanovljat-suspilnyj-interes/

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018
(in thousands of USD, unless otherwise stated)

	Note	2018	2017
Revenue from sales	7	14 601	9 989
Cost of sales	8	(11 464)	(7 647)
Gross profit		**3 137**	**2 342**
Administrative expenses	9	(1 341)	(1 082)
Selling expenses	10	(773)	(576)
Other income	11	90	49
Other expenses	12	(178)	(157)
Financial income		18	17
Financial expenses	13	(221)	(210)
Profit before tax		**732**	**383**
Income tax expenses	14	(143)	(67)
NET PROFIT		**589**	316
Other comprehensive income/(loss) not subject to reclassification in profit or loss in subsequent periods		19	(79)
Actuarial expenses of defined benefit plans	21	(8)	(28)
Effect of income tax	14	1	4
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)		**12**	**(103)**
TOTAL COMPREHENSIVE INCOME		**601**	213
Net profit attributable to:			
Non-controlling interests		-	-
		589	316
NET PROFIT		**589**	316
Total comprehensive income attributable to:			
Non-controlling interests		-	-
		601	213
TOTAL COMPREHENSIVE INCOME		**601**	213

EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS (in USD)	Note	2018	2017
Net profit attributable to owners of ordinary shares to calculate base profit	25	0,08	0,04
Net profit attributable to owners of ordinary shares adjusted taking into account dilution effect	25	0,08	0,04

Consolidated statements for the year ended 31 December 2018 were approved on behalf of the Group management

_______________ /
Director

_______________ /
Chief Accountant

Notes on pages 12 - 46 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2018
(in thousands of USD, unless otherwise stated)

	Note	31.12.2018	31.12.2017
ASSETS			
Non-current assets			
Property, plant and equipment	15	1 470	1 501
Intangible assets		5	2
Deferred tax assets	14	25	4
Total non-current assets		**1 500**	**1 507**
Current assets			
Inventories	16	4 349	3 877
Advances made		477	716
Income tax paid in advance		69	36
Other taxes and levies reimbursable/paid in advance		-	9
Trade and other receivables	17	229	173
Cash and cash equivalents	18	265	1 280
Total current assets		**5 389**	**6 091**
TOTAL ASSETS		**6 889**	**7 598**
EQUITY AND LIABILITY			
Equity			
Share capital	19	349	349
Retained earnings		10 579	9 997
Effect of presentation currency		(8 195)	(8 157)
Total equity		**2 733**	**2 189**
Long-term liabilities			
Loans and borrowings	20	12	16
Pension liabilities	21	193	122
Total long-term liabilities		**205**	**138**
Long-term liabilities			
Loans and borrowings	20	1 646	1 018
Trade and other payables	22	593	309
Prepayments received		1 508	3 567
Current provisions	23	140	103
Other taxes and levies payable	24	64	274
Total current liabilities		**3 951**	**5 271**
TOTAL EQUITY AND LIABILITIES		**6 889**	**7 598**

Consolidated statements for the year ended 31 December 2018 were approved on behalf of the Group management

Director

Chief Accountant

Notes on pages 12 - 46 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended 31 December 2018
(in thousands of USD, unless otherwise stated)

	Note	2018	2017
Profit before tax		**731**	**383**
Non-cash adjustments			
Amortization charges	15	221	214
Change of allowance for doubtful debts/ expected credit losses	11, 12	-	-
Income from the restoration of the tank under the expected credit losses		(48)	-
Loss from impairment of prepayments made	12	40	19
Loss from disposal of non-current assets	12	11	2
Expenses to charge the provision for unused vacations		22	38
Loss from disposal of current assets		-	(7)
Exchange loss /(gain), net		-	20
Income from accounts payable written off	11	(10)	(32)
Interest income accrued		(18)	(17)
Interest expenses accrued	13	146	148
Changes of pension benefit liabilities	13	75	48
Other expenses		14	-
Change of current assets / liabilities		**1 184**	**816**
Increase of inventories		(434)	(1 695)
(Increase)/decrease of trade and other accounts receivable		(118)	223
(Increase) / decrease of prepayments made		253	(165)
(Increase) / decrease of settlements on other taxes and levies		(208)	50
Increase / (decrease) of trade and other accounts payable		287	13
Increase / (decrease) of prepayments received		(2 145)	1 993
Increase / (decrease) of pension benefit liabilities	21	(13)	(16)
Cash received from operations		**(1 194)**	**1 219**
Income tax paid		(183)	(117)
Interest paid		(146)	(148)
Net cash flow received from / (used in) operations		**(1 523)**	**954**
Cash flow from investment activity			
Acquisition of property, plant and equipment	15	(165)	(195)
Interest received		18	17
Net cash flow received from / (used in) investment activity		**(147)**	**(178)**
Cash flow from financial activity			
Loans and borrowings received	20	3 511	2 146
Loans and borrowings repaid	20	(2 890)	(1 824)
Net cash flow received from / (used in) financial activity		**621**	**322**
Net cash flow for the reporting period		**(1 049)**	**1 098**
Net foreign exchange difference		**34**	**(62)**
Opening balance	18	**1 280**	**244**
Closing balance	18	**265**	**1 280**

Consolidated statements for the year ended 31 December 2018 were approved on behalf of the Group management

_______________ / Director

_______________ / Chief Accountant

Notes on pages 12 - 46 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018
(in thousands of USD, unless otherwise stated)

	Authorized (share) capital	Retained earnings	Effect of foreign exchange differences	TOTAL
EQUITY, 31.12.2016	**349**	**9 705**	**(8 078)**	**1 976**
Net profit	-	316		316
Other comprehensive income (loss)	-	(24)	(79)	(103)
Total comprehensive income	**-**	**292**	**(79)**	**213**
EQUITY, 31.12.2017	**349**	**9 997**	**(8 157)**	**2 189**
Effect from application of IFRS 9 (Note 3)	-	-	(57)	(57)
ADJUSTED CAPITAL, 01.01.2018	**349**	**9 997**	**(8 214)**	**2 132**
Net profit	-	589	-	589
Other comprehensive income (loss)	-	(7)	19	12
Total comprehensive income	**-**	**582**	**19**	**601**
EQUITY, 31.12.2018	**349**	**10 579**	**(8 195)**	**2 733**

Consolidated statements for the year ended 31 December 2018 were approved on behalf of the Group management

_______________ /
Director

_______________ /
Chief Accountant

Notes on pages 12 - 46 are an integral part of these consolidated financial statements

1. GENERAL INFORMATION

These consolidated financial statements of PJSC KMZ Industries (hereinafter –"the Company") and its subsidiary (hereinafter referred to as "the Group") for the year ended 31 December 2018 were approved for issue in accordance with the decision of the General Director of 01 November 2019.

The Group's parent company, PJSC KMZ Industries (hereinafter referred to as "the Company"), is a public joint-stock company. The legal and actual address of the Company: Ukraine, Poltava region, Karlovka, 2, Sergey Nigoyan Street.

As of 31 December 2018, Dragon Capital Investments Limited was the owner of the controlling interest (100%) of the Company (31 December 2017: 93%).

An ultimate beneficiary is Mr. Fiala Tomash (citizen of the Chech Republic).

The Group also includes a subsidiary "Trading Company Zosya" (the sole owner of the entity at the beginning and end of the reporting period is PJSC KMZ Industries), whose principal activity is retail sale of building materials, household chemicals, bedding and tableware.

2. OPERATING ENVIRONMENT, RISKS AND ECONOMIC CONDITIONS IN UKRAINE

The Group operates in Ukraine where the economic situation is unstable and not well in hand, although it has begun to develop some characteristics of stability. In 2016-2017, Ukraine experienced political and economic difficulties. The sharp devaluation of the national currency, the decline in real incomes of the population, the decline in foreign exchange income and capital investments, the capital outflow from the country against the background of annexation of the Crimea, and the Joint Forces Operations in the eastern part of the country, further decrease of Gross Domestic Product.

The overall economic tone in Ukraine in 2018 was moderately positive compared to 2017. GDP continued to grow for eleven quarters in a row, while consumption and investment remained the main drivers. Some positive changes have taken place around the country's risk profile at the end of 2018. In particular, protracted negotiations between Ukraine and the IMF were successfully completed in Q4 2018 resulted in the provision of a new USD 3.9 billion stand-by program. More to that, loans of other financial donors (EU, WB) were involved.

However, currently there is uncertainty about the situation in the eastern regions of Ukraine, in which government troops are conducting the Joint Forces Operation, as well as in the Autonomous Republic of Crimea, which was annexed by the Russian Federation.

Structurally, the Group's business operations during 2018 did not change significantly and were not significantly affected by political or macroeconomic changes.

Management monitors the development of the current situation and, where necessary and possible, takes measures to minimize any negative impact. Further negative developments, including political, macroeconomic and/or international trade conditions, may make an additional negative impact on financial performance and condition of the Group in a way that cannot be determined currently.

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

In general, the Group's accounting policies are consistent and are in line with the policy applied in previous reporting year. Some new standards and interpretations have become mandatory for use from 1 January 2018. Below new and revised standards and interpretations are disclosed that have been applied by the Group since 1 January 2018.

IFRS 9 Financial Instruments

The Group has applied IFRS 9, Financial Instruments (IFRS 9), beginning from 1 January 2018. The standard replaced previously effective IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). The Group did not restate the comparative information presented in accordance with IFRS 39. The difference arising from the application of IFRS 9 was recognized directly in the retained earnings and other equity components at the date of first application – 1 January 2018. In doing so, the definition of a business model, which contains a financial asset, was made taking into account the facts and circumstances that existed at the date of the first application of IFRS 9. The analysis of whether the contractual cash flows for debt instruments are solely payments of the principal amount of the debt and interest was based on facts and circumstances that existed at the initial recognition of these assets.

The table below shows the categories of measurement of financial instruments in accordance with IAS 39 and the new categories that were determined in accordance with IFRS 9 as of 1 January 2018.

	Measurement category under		Carrying amount under	
	IAS 39	**IFRS 9**	**IAS 39**	**IFRS 9**
FINANCIAL ASSETS				
Trade and other accounts receivable	Loans and accounts receivable	At amortized cost	173	104
Cash and cash equivalents	Loans and accounts receivable	At amortized cost	1 280	1 280
TOTAL			**1 453**	**1 384**
FINANCIAL LIABILITIES				
Loans and borrowings	Liabilities at amortized cost	Liabilities at amortized cost	1 034	1 034
Trade and other payables	Liabilities at amortized cost	Liabilities at amortized cost	309	309
TOTAL			**1 343**	**1 343**

Effect of application of IFRS 9 requirements regarding classification and measurement on the carrying amount of financial instruments:

	31.12.2017 under IAS 39	Change of value that had an impact on retained earnings	01.01.2018 under IFRS 9
FINANCIAL ASSETS			
Trade and other receivables	173	(69)	104
Cash and cash equivalents	1 280	-	1 280
TOTAL	**1 453**	**(69)**	**1 384**
FINANCIAL LIABILITIES			
Loans and borrowings	1 034	-	1 034
Trade and other payables	309	-	309
TOTAL	**1 343**	-	**1 343**

The effect of IFRS 9 application is recognized in the opening balance of retained earnings in the statement of changes in equity as of 1 January 2018:

	01.01.2018
Adjustment of allowance for expected credit losses	(69)
Effect of income tax	12
EFFECT OF IFRS 9 APPLICATION	(57)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides for a five-step model that will apply to revenue from contracts with customers. According to IFRS 15, revenue is recognized in an amount that reflects considerations that an entity expects to be entitled to in exchange for transferring assets or services to a customer. The principles of IFRS 15 provide for a more structured approach to measuring and recognizing revenue.

The new standard applies to all entities and replaces all previously recognized IFRS recognition requirements. The standard applies to annual periods beginning on or after 1 January 2018, retrospectively in full or with a modified

retrospective approach. The Group decided to start applying the new standard using a modified retrospective approach recognizing the total impact of the first-time adoption of this standard on the date of first application. The Group recognizes the total effect of the first-time adoption of IFRS 15 as an adjustment of the balance of retained earnings (or other equity component, respectively) at the beginning of the annual reporting period, which covers the date of first-time adoption. In accordance with this method of transition to the new accounting procedure, the Group should apply IFRS 15 retrospectively only to contracts that are not executed on the date of first-time adoption, i.e. as of 1 January 2018.

The Group has analyzed the effect of IFRS 15 on accounting policies and financial statements, wherefore various revenue streams have been considered. The management believes that changes in accounting policies do not have a significant effect on the financial statements and do not require adjustment of retained earnings as of 1 January 2018.

Amendments to IFRS 2 Share-based Payment: Classification and Measurement of Share-based Payment Transactions.

Amendments to IFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption of amendments, entities are not required to restate information for previous periods; however, retrospective application is permitted subject to the amendment of all three aspects and adherence to other criteria. Amendments shall take effect for annual periods beginning on or after 1 January 2018. Early application is allowed. The amendments will have no impact on the Group's financial statements.

Amendments to IFRS 4 Insurance Contracts-Application of IFRS 9 Financial Instruments together with IFRS 4 Insurance Contracts.

These amendments eliminate the problems arising from the application of the new standard relating to financial instruments, IFRS 9, before the introduction of IFRS 17 Insurance Contracts, which supersedes IFRS 4. The amendments provide for two options for entities issuing insurance contracts: temporary exemption from IFRS 9 and the overlay approach. The amendments had no impact on the Group's financial statements.

Amendments to IAS 40 Investment property.

The amendments clarify the procedure for transfers of property assets to, or from, investment property. A transfer is made when and only when there is an actual change in use – i.e. an asset meets or ceases to meet the definition of investment property and there is evidence of the change in use. A change in management intention alone does not support a transfer. The revised examples of evidence of a change in use included in the amended version of IAS 40 are not exhaustive – i.e. other forms of evidence may support a transfer.

Amendments shall take effect for annual periods beginning on or after 1 January 2018. Early application is allowed. The amendments had no impact on the Group's financial statements.

IFRS 1 First-time adoption of IFRS

IFRS 1 has been amended to remove short-term exemptions dealing with IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IFRS 10 Consolidated Financial Statements. The reliefs provided are no longer applicable and had been available to entities for reporting periods that have now passed. This improvement is effective for reporting periods beginning on or after 1 January 2018.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the date of transaction for the purpose of determining the spot exchange rate used to translate foreign currency transactions on initial recognition in circumstances when an entity pays or receives some or all of the foreign currency consideration in advance of the recognition of the related asset, expense or income.

The interpretation states that the date of the transaction, for the purpose of determining the spot exchange rate used to translate the related asset, expense or income (or part thereof) on initial recognition, is the earlier of:

- The date of initial recognition of prepayments for a non-monetary asset or non-monetary liability; and
- The date that the asset, expense or income (or part thereof) is recognized in the financial statements.

The amendment becomes effective for annual periods beginning on or after 1 January 2018. Early application is permitted. The amendments had no impact on the Group's financial statements.

IAS 28 Investments in Associates and Joint Ventures

Amendments clarify that a venture capital organization, or a mutual fund, unit trust and similar entities (including investment related to insurance funds) may choose whether to account for its investments in joint ventures and associates at fair value or using the equity method. The amendment also makes it clear that method for each investment is to be chosen on initial recognition.

This annual improvement must be applied retrospectively for periods beginning on or after 1 January 2018.

Improvements had no impact on the Group's financial statements.

Basis of preparation of the financial statements

These consolidated financial statements have been prepared in accordance with the historical cost convention, except for "Property, plant and equipment" caption recognized based on the deemed cost at the date of transition.

Preparation of the consolidated financial statements requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as well as income and expenses recognized in the financial statements for the reporting period. Due to the inherent uncertainty of such estimates, the actual results reflected in future periods may differ from these estimates. The most critical assumptions and estimates used in the preparation of these consolidated financial statements are disclosed in Note 4.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Group companies as at 31 December 2018. The financial statements are prepared using an agreed accounting policy.

All intragroup balances and transactions, including unrealized gains arising from transactions between the Group's entities, were eliminated. Unrealized losses are eliminated except in cases where the transaction provides sufficient evidence of impairment of the transferred assets. Subsidiaries are fully consolidated from the date of their acquisition, which is the date of receiving by the Group's control over them, and continue to consolidate until such control is lost.

Functional and presentation currency

The functional currency of the Group companies is the national currency of Ukraine, hryvnia. Transactions in other currencies are treated as foreign currency transactions.

The currency of presentation of financial statements is hryvnia, which is rounded to the whole number, unless otherwise indicated.

Going concern assumptions of the Group

These consolidated financial statements have been prepared on the going concern basis, which involves the sale of assets and repayment of obligations in the course of current operating activities.

The Group management cannot predict all changes that may have an impact on the economy as a whole, and what effects they may have on the financial position of the Group in the future. Management believes it is taking all necessary measures to support the sustainability and growth of the Group.

These financial statements do not include any adjustments that may be made as a result of such uncertainty. Such adjustments will be reported if they become known and estimable.

4. BASIC ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group has a number of estimations and assumptions about its future activities. These estimations and assumptions are regularly based on past experience of the management as well as other factors, including such expectations of the future events, which are considered to be grounded in existing circumstances. In future, actual results might differ from these estimations and assumptions. The most significant estimations and assumptions, which can be effected by high risks of adjustments of carrying amounts of assets and liabilities during the next financial year, are set forth below.

- **Useful life of intangible assets and fixed assets.** Depreciation or amortization of intangible assets and fixed assets is charged during their useful life. The useful life is based on management's estimates of the period during which the asset will generate profit. These terms are periodically reviewed for further consistency.
- **Impairment of property, plant and equipment.** The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If there are such indications, the Group estimates the asset's recoverable amount. To do so, it is required to estimate the cash flows from the use of the cash-generating unit to which the asset belongs. Determination of impairment of property, plant and equipment involves the use of estimates that include, but are not limited to, the cause, timing and amount of impairment. Impairment is based on a large number of factors, such as changes in current conditions of competition, expectations of industry growth, increase in the cost of capital, changes in future availability of financing, technological obsolescence, discontinuation of service, current replacement costs and other changes in circumstances that indicate impairment. The determination of recoverable amount of a cash-generating unit involves the use of management estimates. The methods applied to determine fair value in use include methods based on discounted cash flows that require the Group to estimate the expected future cash flows from the cash-generating unit and also select a suitable discount rate to calculate the present value of cash flows. When calculating the discount rate, the Group uses the weighted average cost of capital adjusted for the currency in which future cash flows are denominated, as well as the level of business risks assessed for each group of assets. These estimates, including the methodologies used, can have a significant impact on the recoverable amount and, ultimately, the amount of impairment of property, plant and equipment.
- **Inventories.** The Group examines net realizable value and demand for its inventories quarterly in order to ascertain that accounted inventories are assessed at the least of cost or the net realizable value. The factors that may affect an estimated demand and selling price are computation of time and success of future technological innovations, competitors' actions, prices of suppliers and economic trends.
- **Allowance for expected credit losses.** The Group uses an estimation allowances matrix to calculate expected credit losses on receivables. Rates of estimated allowances are set based on the number of days of late payment. The calculation is based on observable data on defaults in previous periods.

  At each reporting date, the Group updates the matrix to adjust past credit loss experience based on forecast information. Assessing the relationship between observable historical levels of default, projected economic conditions and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and projected economic conditions. The Group's past credit loss experience and economic forecast may also not be indicative of the buyer's actual default in the future.
- **Pension obligations.** The calculation of pension obligations requires the Group's management to use annual judgments and assumptions about future changes in the amount of remuneration, changes in pension amounts, inflation rates, exchange rates, life expectancy, and the balance expected in the length of service of employees. Total pension obligations are disclosed in Note 23.
- **Litigation.** The Group makes significant judgments in assessing and recording the provisions and risks of contingent liabilities arising from litigations and other outstanding claims that are settled through negotiation, mediation, arbitration or government regulation, as well as other contingent liabilities. The judgment is necessary in assessing the likelihood of satisfaction of the claim against the Group or the occurrence of an obligation, as well as in determining the possible amount of the final settlement. Due to the uncertainty inherent in the valuation process, actual costs may differ from the original reserve estimate. These estimates may change as new information becomes available, mainly with the support of internal specialists. Review of such estimates can significantly affect future operating results.

5. BASIC ACCOUNTING PRINCIPLES

The basic accounting policies applied by the Group in preparation of these consolidated financial statements are set forth below.

Foreign currency transactions

The functional currency of the Group companies is the national currency of Ukraine, hryvnia (UAH). Transactions in other currencies are treated as foreign currency transactions and are initially recognized in functional currency at the rate effective on the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the exchange rate effective at the reporting date. The exchange rate differences that arise from the calculation of monetary items or translation of monetary items at rates that differ from the ones at which they were translated at initial recognition during the reporting period or in previous financial statements are to be recognized in the statement of profit and loss in the period in which they arise.

Non-monetary items in foreign currency, recorded at historical cost, are to be translated at the exchange rate at the date of transaction. Non-monetary items denominated in foreign currencies at fair value are to be translated at the exchange rate effective at the date of fair value measurement.

Rates of basic currencies are stated as follows:

		31.12.2018	31.12.2017
USD	UAH/USD	27.6883	28.0672
EUR	UAH/ EUR	31.7141	33.4954

		Average-weighted rate for the reporting year	
		2018	2017
USD	UAH/USD	27.2016	26.5947
EUR	UAH/ EUR	32.1341	30.0128

Short-term/long-term classification

An asset (liability) is classified as current if its sale (repayment) is planned, or if its sale or use is planned within 12 months after the reporting date. Other assets (liabilities) are classified as long-term. Deferred tax assets (liabilities) are classified as long-term.

Property, plant and equipment

Property, plant and equipment, except for assets acquired before 1 January 2007, are carried at historical cost less operating expenses, accumulated depreciation and impairment losses. Such cost includes the cost of replacing the part of property, plant and equipment recognized as they arise, if they meet the recognition criteria.

Property, plant and equipment acquired before 1 January 2007 - the date of transition to IFRSs - were carried at deemed cost, which was their fair value as at 1 January 2007.

Depreciation of fixed assets is charged on a straight-line basis over the expected useful lives of the corresponding assets. The useful lives of fixed asset groups are as follows:

	Useful life (years)
Land	-
Buildings and structures	10-50
Production equipment	5-20
Vehicles	5-10

Repair and maintenance costs are expensed as incurred. The most significant costs of reconstruction and modernization are capitalized and the replaced items are written off. Gains and losses on the write-down of property, plant and equipment are recognized in profit or loss as they arise. The cost of capital repairs is recognized as a separate component of property, plant and equipment, subject to recognition criteria.

The Group capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of the qualifying assets as part of the cost of this asset. Other borrowing costs are recognized as expenses as incurred.

An item of PPE is derecognized at disposal or in case no economic benefits are expected from its use. The gain or loss on disposal of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income for the period in which the asset is derecognized.

The asset's depreciated value, useful lives and methods of depreciation are reviewed and adjusted, if appropriate, at each financial year end.

Capital investments are the cost of construction and reconstruction of PPEs. Capital investments at the date of the financial statements are stated at cost less any accumulated impairment losses. Capital investments are not depreciated until the asset is ready for use.

Intangible assets

Intangible assets are accounted for at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged on a straight-line basis over the useful life of the assets (3-5 years). The estimated useful lives and the amortization method are reviewed at the end of each reporting year.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is any indicator that an asset may be impaired. If any such indicator exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value, less costs to sell, and its value in use. A recoverable amount is determined for an individual asset, unless the assets that do not generate cash inflows and are largely independent from proceeds generated by other assets or groups of assets. Cash generating unit (CGU) is the smallest identifiable group of assets that provides for cash inflows which are largely independent of the cash inflows from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. Impairment losses are recognized in the statement of comprehensive income for the period in those expense categories consistent with the function of the impaired asset.

The Group's assessment is made at each reporting date whether there is any indicator that previously recognized impairment losses may no longer exist or may have decreased. If such indicator exists, the recoverable amount is calculated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income for the period. After such a reversal, future depreciation charges are adjusted to amortize the asset's revised carrying amount, less any depreciated value, on regular basis over its remaining useful life.

The Group has determined CGU as production and trade.

Financial instruments

Classification of financial instruments

During the initial recognition of financial instruments, the Group classifies them and determines the model for further valuation.

The Group classifies debt financial assets based on the business model it uses to manage these assets, and the contract cash flow characteristics triggering the financial instrument.

Financial assets are classified as follows:

- financial assets at amortized cost (AC);
- financial assets at fair value through other comprehensive income (FVOCI);
- financial assets at fair value through profit or loss (FVTPL).

A financial asset is measured at amortized cost only if it meets both of the following conditions and is not classified as at fair value through profit or loss:

- it is held within the framework of a business model aimed to hold assets for contractual cash flows, and
- its contractual terms provide for the occurrence of cash flows within the set time limits, which represent the payment of exclusively principal and interest (SPPI criterion) for the unpaid part of the principal amount.

During the initial recognition of non-trading capital instruments, the Group may irrevocably choose to reflect further changes in the fair value in other comprehensive income, that is, to classify such instruments as measured at fair value through other comprehensive income (FVOCI). This choice is made on case-by-case basis.

All financial assets that do not meet the criteria for their measurement at amortized cost or at fair value through other comprehensive income as described above are measured at fair value through profit or loss.

The Group evaluates the purpose of the asset holding business model at the level of the financial instruments portfolio as it best reflects the way business is managed and information provided to management staff.

In assessing whether the contractual cash flows are exclusively payments of principal and interest on the outstanding part of the principal ("SPPI" criterion), the Group analyzes the contractual terms of a financial instrument, namely whether a financial asset contains a contractual clause that may change the timing or amount of contractual cash flows so that the financial asset will not meet the relative requirement.

Financial assets are reclassified prospectively only in case of changing the business model within which they are held. Financial liabilities and equity instruments, as well as financial assets that, at the Group's discretion were initially classified as those at fair value through profit or loss are not subject to reclassification.

Classification of financial liabilities

Financial liabilities are measured at amortized cost, except for:

- financial liabilities measured at fair value through profit/loss;
- financial liabilities resulting when transfer of a financial asset is not in compliance with derecognition criteria or when the continuing involvement principle is applied;
- financial guarantee contracts, aval, security;
- credit liabilities at a rate lower than a market rate;

Initial recognition and subsequent measurement of financial instruments

Financial instruments at fair value through profit or loss are initially recognized at fair value, net of transaction costs. The costs of acquiring such financial instruments are recorded on expense accounts at the date they are incurred.

All other financial instruments at initial recognition are measured at fair value plus transaction costs. Transaction costs and other payments directly related to the recognition of a financial instrument are shown on the discount (premium) account for this financial instrument. The transaction costs include fees paid to agents, consultants, brokers and dealers, levies to regulatory bodies, stock exchanges, taxes and state taxes, etc.

Transaction costs and commission income that are an integral part of the return on a financial instrument are recognized in the financial instrument and accounted for when calculating the effective interest rate for such a financial instrument.

At initial recognition, the Group assesses trade receivables at transaction price, which is the consideration to which the Group expects to be entitled in exchange for the transfer of promised goods or services to the buyer, excluding amounts received on behalf of third parties, if the trade receivable does not contain a significant financing component (when the contract payment dates give the buyer or seller significant benefits from the sale of products).

For a debt financial asset measured at fair value through other comprehensive income, gains or losses are recognized in other comprehensive income before the derecognition or reclassification date, with the exception of interest income accrued using the effective interest method, profit or loss from its impairment and profits or losses from changes in the official exchange rate of Hryvnia to foreign currencies. The recognition of an estimated provision for such an asset does not change its fair value.

Financial assets at fair value through other comprehensive income are revaluated after interest and the discount/premium amortization are accrued and the estimated allowance for credit risk is charged.

When the financial asset at fair value through other comprehensive income is derecognized, the accumulated revaluation amount is reclassified from other comprehensive income in profit or loss.

Financial guarantees and credit obligations at a rate lower than a market one at initial recognition are measured at fair value.

Subsequently, credit obligations at a rate lower than market one and financial guarantees are valued at the highest of the amount of the estimated allowance for expected credit losses and the fair value of the financial liability, less any amortization of accumulated income in accordance with the principles for its recognition.

Impairment

The impairment model is applied to financial instruments that are not measured at fair value through profit or loss:

- financial assets being debt instruments;
- accounts receivable from leases;
- loan liabilities and liabilities from financial guarantee contracts.

Impairment losses on investments in equity instruments are not recognized.

Allowances for expected credit losses are to be recognized in an amount equal to either expected credit losses for 12 months or expected credit losses over the lifetime of the instrument.

The Group applies a simplified approach and recognizes allowances for expected credit losses on receivables, contractual assets and receivables under lease agreements in an amount equal to expected credit losses over the lifetime of the instrument, regardless of whether there is a significant financing component.

The estimation of expected credit losses reflects the difference between contractual cash flows in accordance with the contract terms and all cash flows that the Group expects to receive. Afterwards, the loss is discounted to the original effective interest rate of the asset.

The Group divided financial assets on the basis of general credit risk characteristics such as: type of a financial instrument, credit risk rating, type of debtor or issuer, dates of initial recognition of a financial asset, and applied historical interest on credit losses based on the Group's experience in respect of such losses adjusted for specific factors for debtors and general economic conditions.

Write-offs

Write-off of the gross carrying amount of a financial instrument at the expense of the provision charged is recognized after it's recognized as bad, the existence of the allowance for expected credit losses, and simultaneous fulfillment of other prerequisites defined by the requirements of the current legislation of Ukraine and the internal regulations of the Group.

Derecognition and contract modification

Financial assets are derecognized whenever:

- the rights to cash flows determined by the terms of the financial asset contract expire;
- the transfer of a financial asset meets the derecognition criteria;
- write off the financial asset against the provision.

The control of the transferred asset is not available if a party to whom the asset is transferred has the real ability to sell it to an unrelated third party and may sell it unilaterally without the need to impose additional restrictions on such transfer.

If the control over a financial asset is not retained, such an asset is derecognized; otherwise, if the control over the financial asset is retained, it is recognized to an extent of the continuing involvement therein.

The difference between the carrying amount of a financial asset measured at derecognition date and the amount of consideration received (including the value of the new asset received less the liability amount) is recognized as income or expense from derecognition.

The financial liability or part thereof is derecognized if such liability is settled, canceled or expired.

Any expense or considerations are the income/expense from derecognition if the debt financial liabilities exchange or changes in the terms of a financial liability are reflected in the accounting as a repayment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of repaid or transferred to another party financial liability (or part thereof) and the amount of the consideration paid is income/expense from derecognition.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement assumes that the sale of an assets or transfer of a liability is made whether on a principal market for such assets or liabilities or when there is no principal market, at the most advantageous market for such assets and liabilities. The Group should have an access to the principal or the most advantageous market.

Fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interests.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by employing the asset in its highest and best use or by selling it to another market participant that would employ the asset in its highest and best use.

The Group applies such valuation techniques that are appropriate in the circumstances and for which data are available, sufficient for measuring fair value, using the relevant observable inputs to the maximum extent and using unobservable inputs to the minimum extent.

All assets and liabilities whose fair value is estimated or disclosed in the financial statements are classified as described below under the fair value hierarchy based on the lowest level inputs that are significant to the fair value measurement in general:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Valuation techniques, in which significant inputs for fair value measurement are inputs relating to lower level hierarchy observable for the asset or liability, either directly or indirectly
- Level 3 – Valuation techniques, in which significant inputs for fair value measurement are inputs relating to lower level hierarchy unobservable for the asset or liability.

For assets and liabilities that are revalued in the financial statements on a recurring basis, the Group determines the need for their transfer between levels of the hierarchy sources, re-analyzing the classification (based on the inputs of the lowest level that are significant to the fair value measurement in general) at the end of each reporting period.

Inventories

Inventories are valued at the lower of the cost or net realizable value. The net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs of sales. The cost of inventories is calculated on an average cost basis and takes into account the cost of acquiring inventories, delivering them to a location and bringing them to their current state. The cost of inhouse inventories and the cost of work in progress includes the corresponding part of overhead costs.

The cost of disposal of inventories is estimated as follows: finished goods – under the identified cost of the respective item of inventories, for materials and other types of inventories – under the average cost.

Cash and cash equivalents

Cash and cash equivalents include deposits with banks, cash and deposits with original maturity of less than three months.

Cash includes cash and deposits with banks. Cash equivalents include short-term liquid investments (with a maturity of less than 90 days) that can be converted freely into known amounts of cash and are exposed to low risk of changes in value. Cash equivalents are carried at fair value.

Lease

A lease is classified as a finance lease if it transfers to the lessee all material risks and rewards of ownership. Operating lease is any lease other than finance lease. Assets under finance leases are recognized as assets at their fair value at the lease inception, or at the present value of the minimum lease payments, if less. The corresponding liabilities to the lessor are recognized in the statement of financial position as financial lease liabilities. Lease payments are

apportioned between the financial cost and the reduction of the outstanding liability so as to ensure a constant periodic rate of interest on the balance of liability.

Financial expenses are recognized directly in the consolidated statement of comprehensive income unless they are directly related to a qualifying asset. In doing so, they are capitalized in accordance with the Group's general policy of loans and borrowings accounting.

Contingent rents are recognized as an expense in the periods in which they are incurred.

Operating lease income or expense is recognized in the statement of comprehensive income on a straight-line basis over the lease term.

Operating lease payments are recognized as an expense on the straight-line basis over the lease term, unless another systematic accounting method reflects more accurately the nature of the benefits of the leased asset.

In 2017, the Group neither accepted nor transferred assets to operating and finance leases.

Share capital

Financial instruments issued by the Company are classified as equity.

Employee benefits. Pension contribution liabilities

The Group makes contributions for its employees to the State Pension Fund of Ukraine. Contributions are calculated as a percentage of the current gross wage and are expensed in the period in which they were incurred. Additional pensions and other post-employment benefits are included in payroll and related accruals in the consolidated income statement.

Employee benefits. Pension benefit liabilities

The Group participates in the mandatory state defined benefit pension plan that provides for retirement benefits for employees working in harmful and difficult conditions. Liabilities recognized in the consolidated statement of financial position for defined benefit plans are the present value of expected future payments necessary to settle debts arising from services provision by an employee during current and preceding periods. Pension benefit liabilities are calculated annually.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements unless it is probable that an outflow of economic resources embodying economic benefits will be required to settle the obligation and it can be reasonably estimated. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

During 2017-2018, the Group had no such liabilities.

Borrowing costs

The Group capitalizes borrowing costs directly attributable to the acquisition, construction or production of qualifying assets as part of the value of this asset. All other borrowing costs are expensed as incurred.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of such obligation can be made. Where the Group expects some or all provisions to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is recorded in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects and, where appropriate, the risks inherent to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance costs.

Revenue from contracts with customers

The Group recognizes revenue when (or as) it satisfies performance obligations by transferring the promised product or service (i.e., an asset) to the customer. The asset is transferred when (or as) the customer obtains control of such an asset.

Control over the asset means the ability to control its use and receive virtually all other associated benefits. Control includes the ability to prohibit other business entities from managing the use of the asset and receiving associated benefits. Benefits from the asset are potential cash flows (cash inflows or outflow of cash savings) that can be obtained directly or indirectly.

Revenue from contracts with customers is recognized based on the five-step model as follows:

- Step 1: Identifying the contract;
- Step 2: Identifying of performance obligations within the contract;
- Step 3: Determining the transaction price;
- Step 4: Allocating the transaction price to performance obligations;
- Step 5: Revenue recognition.

Sale of goods

Revenue from sale of goods is recognized when the Group sells the goods to the customer.

The Group considers whether there are other promises during the sale that are separate performance obligations for which part of the transaction price must be allocated (such as warranties). In determining the price of a sales transaction, the Group takes into account the effects of a variable cost, the existence of significant financing components, non-cash compensations and consideration payable to the customer (if any).

(i) Variable consideration

If the consideration promised in a contract includes a variable amount, the Group estimates the amount of consideration to which the entity is entitled in exchange for transferring the promised goods or services to a customer.

An amount of consideration can vary because of discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties or other similar items. The promised consideration can also vary if the Group's entitlement to the consideration is contingent on the occurrence or non-occurrence of a future event. For example, an amount of consideration would be variable if either a product was sold with a right of return or a fixed amount is promised as a performance bonus on achievement of a specified milestone.

The Group includes in the transaction price some or all of the variable consideration only if it is highly probable that when the uncertainty associated with the variable consideration is basically resolved, there will be no significant reversal of the amount of recognized cumulative income.

Right of return

In accordance with regulations, the client has a right of return the goods within the established term. The Group applies the most likely amount method to assess goods that are not subject to return, since this method better predicts the amount of variable consideration to which the Group will be entitled. In respect of goods that are expected to be returned, the Group recognizes a refund liability instead of income. The right to return an asset (and a corresponding adjustment to the cost of sales) is recognized for the right to return the goods from the client.

(ii) Significant financing component

As a practical expedient, the Group needs not adjust the promised amount of consideration for the effects of a significant financing component if the Company expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

Adjusting the promised amount of consideration to account for a significant financing component, the Group uses the discount rate that would be applied in a separate financing operation between an entity and its customer at contract inception. This rate will reflect the credit characteristics of a party receiving financing under the contract, as well as any collateral or security provided by the customer or company, including contractual assets transferred.

Guarantees

If the customer has the opportunity to purchase a guarantee separately (for example, because the guarantee or its price is negotiated separately), then this guarantee is a separate service, since the Group promises to provide a service to the customer in addition to the guarantee provided by the goods manufacturer. In such circumstances, the Group accounts for the promised guarantee as performance obligations and allocates a part of the transaction price to such performance obligation.

Revenue from the provision of such a guarantee is recognized over time.

Presentation

If any part of the contract is executed, the Group reflects the contract in the statement of financial position as a contractual asset or contractual liability, depending on the ratio between the Group's fulfillment of its obligation under the contract and the payment made by the customer. The Group reflects any unconditional rights to consideration separately as a receivable.

If the customer pays consideration or the Group is entitled to an unconditional amount of consideration (i.e. receivables), the Group, before transferring goods or services to the customer, must reflect the contract as a contractual obligation on the earlier of the payment date or the date when the payment must be made.

If the Group transfers goods and services to the customer before the customer pays consideration or before the payment date for such consideration, the Group shall record a contract as a contractual asset, except for any amounts recorded as receivables. The contractual asset is the Group's right to the consideration in exchange for goods or services that the Group has transferred to the customer.

The right to consideration is unconditional, if only the expiration of time is necessary for maturing of such consideration. The Group recognizes receivables if it has a present right to pay, even though this amount may be repayable in future. The Group accounts for receivables in accordance with IFRS 9.

Income tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the reporting date.

Deferred tax

Deferred income tax is provided using the balance-sheet liability method on temporary differences at the reporting date – between the carrying amounts of assets and liabilities (for financial reporting purposes) and their value in tax base. Deferred tax liabilities are recognized for all taxable temporary differences, except for:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit, nor taxable profit or loss; and
- in respect of temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the parent company and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognized for all taxable temporary differences and carry-forward of unused tax benefits and tax losses if there is a likelihood that non-taxable profit will be available against which a negative temporary difference can be applied and the carry-forward of unused tax benefits and tax losses can be utilized, except when:

- where the deferred tax asset relating to the negative temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit, nor taxable profit or loss; and
- in respect of the negative temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each date of preliminary combined statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow

all or part of the deferred tax assets to be realized. Unrecognized earlier deferred tax assets are revalued at each date of preliminary combined statement of financial position and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be realized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or (substantially enacted) at the preliminary combined statement of financial position date. Income tax relating to items recognized directly in equity is recognized in equity. Deferred tax assets and deferred tax liabilities are to be offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and they relate to income taxes imposed by the same taxation authority on the same entity.

When calculating the amounts of deferred tax assets and liabilities the Group used the tax rates that are expected to be in force during the reversal of temporary differences that led to the related deferred tax assets and liabilities.

The profit tax rate in 18% was applied to calculate the income tax of the asset management company.

6. NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE YET

The Group did not apply the following IFRS and Interpretations of IFRS and IAS that were issued, but did not become effective yet:

IFRS 16 Leases.

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the leasê liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not earlier than the date of application of IFRS 15 Revenue from Contracts with Customers. The lessee has the right to apply this standard using a retrospective approach or a modified retrospective approach. The transitional provisions provide for certain exemptions.

Currently, the Group assesses the impact of IFRS 16 and plans to apply the new standard at the respective effective date.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however is recognized only to the extent of unrelated investors' interest in the associate or joint venture.

The IASB has deferred the effective date of these amendments indefinitely, but early adoption is permitted prospectively.

IFRIC 23 Uncertainty over Income Tax Treatments

Whenever requirements of tax legislation are unclear in relation to a particular operation or to specific circumstances, the main criterion is whether the probability is high that the tax authority will agree with the tax claims interpretation chosen by the Company.

If the answer is positive, the Group shall reflect the same amounts in the financial and tax reporting and consider the need to disclose the existence of uncertainty. If the answer is negative, the amount reported in the financial statements will differ from the amount in the tax return, because it is estimated taking into account the existing uncertainty.

To reflect this uncertainty, one of the following two estimation methods is used, depending on which one will allow to a high accuracy to predict the outcome of the uncertainty:

- the most likely amount, or
- the expected value.

The Interpretation also requires that judgments and estimates that have been formed by the Company were reviewed in the event of a change in facts and circumstances - for example, due to a tax audit or actions taken by the tax authorities, subsequent changes to the tax rules, or after the expiration of the period during which the tax authority has the right to verify the correctness of the tax calculation.

The interpretation is applied to annual periods beginning on or after 1 January 2019; early application is permitted. Currently the Group is assessing the impact of IFRIC 23 application on the consolidated financial statements.

Amendments to IAS 19 Employee Benefits - Plan Amendment, Curtailment or Settlement.

The amendments consider the accounting in cases where plan amendments, curtailment or settlement occur during the reporting period. The amendments clarify that if plan amendments, curtailment or settlement occur during the reporting period, an entity should:

- determine the cost of the current period's services in relation to the remainder of the period after the plan amendments, its curtailment or full settlement based on the actuarial assumptions used to revalue the net liability (asset) of the defined benefit plan, reflecting considerations offered by the plan, and plan assets after the event;
- determine the net interest rate for the remainder of the period after the plan amendments, its curtailment or full settlement, using: net liabilities (asset) of the defined benefit plan, reflecting considerations offered by the plan and the plan assets after the event, and the discount rate used to revalue the net liability (asset) of the defined benefit plan.

The amendments also clarify that an entity must first determine the cost of past service or profit or loss from the settlement of obligations, without taking into account the impact of the asset's limiting value. This amount is recognized in profit or loss. Afterwards, an entity must determine the effect of the limiting value of the assets after the plan amendments, its curtailment or full settlement. Changes in this effect, except for amounts included in the net interest, are recognized in other comprehensive income.

These amendments apply to the plan amendments, its curtailment or full settlement that occurred on or after the start of the first annual reporting period beginning on or after 1 January 2019. Early application is allowed. These amendments will apply only to future plan amendments, curtailment or full settlement.

IFRS 17 Insurance Contracts.

IFRS 17 is a new financial reporting standard for insurance contracts that addresses the recognition and measurement, presentation and disclosure of information. IFRS 17 will replace IFRS 4 Insurance Contracts, which was issued in 2005. IFRS 17 applies to all types of insurance contracts (life and non-life insurance, direct insurance and reinsurance), regardless of the type of an entity, as well as to certain guarantees and financial instruments with discretionary participation terms. There are some exceptions to the scope.
The primary objective of IFRS 17 is to provide a model of accounting for insurance contracts that is more effective and consistent for insurers. Unlike the requirements of IFRS 4, which are based largely on previous local accounting policies, IFRS 17 provides a comprehensive accounting model for insurance contracts, covering all relevant accounting aspects.

IFRS 17 is based on a general model supplemented by the following:

- Certain modifications for direct investment insurance contracts (variable consideration method).
- Simplified approach (premium-based approach) mainly for short-term contracts.

IFRS 17 becomes effective for reporting periods beginning on or after 1 January 2021, with comparative information being required. Early application is permitted provided that the entity also applies IFRS 9 and IFRS 15 on the date of first-time adoption of IFRS 17 or earlier. This standard is not applicable to the Group.

Annual IFRS Improvements (2015 – 2017 cycle)

It is envisaged that the following amendments will have no significant impact on the Group's financial statements:

- Amendments to the Conceptual Reporting Framework (issued 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).
- Amendments to IFRS 3 Definition of a Business (Issued on 22.10.2018 and effective in relation to acquisitions since the beginning of the annual reporting period beginning on or after 1 January 2020)
- Amendments to IAS 1 and IFRS 8 Definition of Materiality (issued on or after 31.10.2018 and effective for annual periods beginning on or after 1 January 2020)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2018 and for the year then ended
(in thousands of USD, unless otherwise stated)

7. REVENUE FROM SALES

Income from sales of the Group is stated as follows:

	2018	2017
Revenue from sales of finished goods	14 115	9 759
grain silo	*6 660*	*5 711*
chain buckets and carriers	*3 814*	*1 340*
grain dryers	*1 615*	*986*
over silo overpasses	*553*	*403*
service kits for main products	*191*	*230*
other finished goods	*1 282*	*1 089*
Revenue from sale of other products, goods, services	486	230
works, services and assembling of products	*343*	*163*
other goods, works and services	*143*	*67*
TOTAL	**14 601**	**9 989**

Sales markets of the Group's products are stated as follows:

	2018	2017
Ukraine	14 566	9 986
Kazakhstan	21	-
Russian Federation	11	-
Romania	3	-
Moldova	-	3
TOTAL	**14 601**	9 989

During 2018, the amount of contractual obligations on prepayments received, recognized in the amount of sales revenue, was USD 12 197 thousand.

8. COST OF SALES

Cost of sales of the Group is stated as follows:

	2018	2017
Raw materials and supplies	(9 480)	(6 866)
Salary and accruals	(1 263)	(1 029)
Transportation expenses	(242)	(211)
Depreciation of production equipment	(195)	(184)
Assembling of finished goods	(54)	(206)
Fuel and electric energy	(285)	(139)
Other overhead production expenses	(48)	(18)
Changes of balances of finished goods and work in process	103	1 006
TOTAL	**(11 464)**	**(7 647)**

9. ADMINISTRATIVE EXPENSES

Administrative expenses of the Group included:

	2018	2017
Salary and accruals	(869)	(713)
Outsourced services	(196)	(159)
Fuel and electric energy	(98)	(82)
Tax expenses, other than income tax	(42)	(42)
Travelling and entertainment costs	(15)	(23)
Amortization charges	(12)	(22)
Lease	(17)	-
Other expenses	(92)	(41)
TOTAL	**(1 341)**	**(1 082)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2018 and for the year then ended
(in thousands of USD, unless otherwise stated)

10. COMMERCIAL EXPENSES

Commercial expenses of the Group included:

	2018	2017
Salary and accruals	(339)	(314)
Transportation costs	(184)	(150)
Advertising and marketing costs	(95)	(62)
Commission fee	(49)	-
Lease	(20)	-
Travelling expenses	(18)	(15)
Customs clearance	(17)	(5)
Depreciation of distribution related equipment	(5)	(4)
Other expenses	(46)	(26)
TOTAL	**(773)**	**(576)**

11. OTHER INCOME

Other income of the Group includes:

	2018	2017
Reversal of allowance for expected credit losses (Note 17)	48	-
Write-off of accounts payable	10	32
Other income	32	17
TOTAL	**90**	**49**

12. OTHER EXPENSES

Other expenses of the Group are stated as follows:

	2018	2017
Loss from impairment of prepayments made	(40)	(19)
Surpluses / (shortages)	(33)	7
Salary and accruals	(22)	(23)
Exchange loss	(21)	(6)
Outsourced services	(14)	(40)
Loss from disposal of non-current assets	(11)	(2)
Expenses to support social infrastructure	(9)	(33)
Depreciation of social infrastructure objects	(5)	(4)
Fines	-	(18)
Other expenses	(23)	(19)
TOTAL	**(178)**	**(157)**

13. FINANCIAL EXPENSES

Financial expenses of the Group are as follows:

	2018	2017
Interest on loans and borrowings	(146)	(148)
Interest expenses from pension benefit liabilities (Note 21)	(75)	(48)
Exchange loss	-	(14)
TOTAL	**(221)**	**(210)**

14. INCOME TAX EXPENSES

The components of income tax expenses for the reporting year are as follows:

	2018	2017
Current income tax expense	(150)	(107)
Deferred income tax gains / (expenses)	7	40
INCOME TAX EXPENSES	**(143)**	**(67)**

Expenses from income tax in relation to profit are presented as follows:

	2018	2017
Profit before tax	**732**	**383**
Expenses from income tax according to current rate (18%)	(132)	(69)
Tax effect on non-taxable items	(11)	2
INCOME TAX EXPENSES	**(143)**	**(67)**

Differences between IFRS and Ukrainian tax legislation result in temporary differences between the carrying amount of assets and liabilities for the purpose of preparation of financial statements and the basis for calculating the income tax.

Tax effect of changes in temporary differences that is reflected in the statement of financial position is presented below:

	31.12.2018	Reported in			Effect of foreign exchange differences	31.12.2017
		Profit (loss)	Other comprehensive income	Capital		
Property, plant and equipment	(51)	7	-	-	-	(58)
Inventories	20	-	-	-	1	19
Prepayments made	13	6	-	-	-	7
Trade and other accounts receivable (Note 3)	6	(23)	-	12	-	17
Pension benefit liabilities	35	11	1	-	1	22
Provisions	2	6	-	-	(1)	(3)
NET DEFERRED TAX ASSETS / (LIABILITIES)	**25**	**7**	**1**	**12**	**1**	**4**

	31.12.2017	Reported in			Effect of foreign exchange differences	31.12.2016
		Profit (loss)	Other comprehensive income	Capital		
Property, plant and equipment	(58)	31	-	-	1	(90)
Inventories	19	(3)	-	-	(1)	23
Prepayments made	7	8	-	-	(1)	-
Trade and other accounts receivable	17	1	-	-	-	16
Pension benefit liabilities	22	6	5	-	(1)	12
Provisions	(3)	(3)	-	-	-	-
NET DEFERRED TAX ASSETS / (LIABILITIES)	**4**	**40**	**5**	**-**	**(2)**	**(39)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2018 and for the year then ended
(in thousands of USD, unless otherwise stated)

15. PROPERTY, PLANT AND EQUIPMENT

Historical cost	Land and buildings	Production equipment	Vehicles	Construction in progress	TOTAL
As at 31 December 2016	1 710	1 369	102	10	3 191
Acquisitions	9	125	56	9	199
Transfers	-	7	-	-	7
Disposals	-	(1)	(3)	9	5
Effect of presentation currency	(55)	(47)	(8)	(17)	(127)
As at 31 December 2017	1 664	1 453	147	11	3 275
Acquisitions	-	-	-	161	161
Other additions	-	-	-	16	16
Transfers	-	134	34	(168)	-
Disposals	(20)	(28)	(5)	-	(53)
Effect of presentation currency	23	13	1	1	38
As at 31 December 2018	**1 667**	**1 572**	**177**	**21**	**3 437**

Accumulated depreciation and impairment	Land and buildings	Production equipment	Vehicles	Construction in progress	TOTAL
As at 31 December 2016	(785)	(795)	(43)	-	(1 623)
Depreciation for the period	(93)	(109)	(10)	-	(212)
Disposals	-	1	2	-	3
Effect of presentation currency	27	28	3		58
As at 31 December 2017	(851)	(875)	(48)	-	(1 774)
Depreciation for the period	(81)	(125)	(13)	-	(219)
Disposals	7	32	3	-	42
Effect of presentation currency	(9)	(6)	(1)		(16)
As at 31 December 2018	**(934)**	**(974)**	**(59)**	-	**(1 967)**

Carrying amount	Land and buildings	Production equipment	Vehicles	Construction in progress	TOTAL
As at 31 December 2016	925	574	59	10	1 568
As at 31 December 2017	813	578	99	11	1 501
As at 31 December 2018	**733**	**598**	**118**	**21**	**1 478**

The Group has no contractual obligations for the acquisition, construction of fixed assets.

As at 31 December 2018, the book value of the Group's property, plant and equipment, being the collateral of loans and borrowings, is USD 848 thousand, as at 31 December 2017 – USD 1 356 thousand (Note 20).

As at 31 December 2018, the historical cost of fully depreciated assets still in use was USD 570 thousand, and as of 31 December 2017 - USD 739 thousand.

The carrying amount of social infrastructure and other non-productive assets as of 31 December 2018 was USD 1 425 thousand, as of 31 December 2017 - USD 48 thousand.

During 2017-2018, no impairment losses were identified.

16. INVENTORIES

As at the reporting date, inventories of the Group included:

	31.12.2018	31.12.2017
Work in process	2 675	2 443
Raw materials and supplies	1 198	1 071
Finished products	182	276
Semi-finished products and components	292	150
Other inventories	111	44
Inventories without taking impairment into account	**4 458**	**3 984**
Provision for impairment of inventories	(109)	(107)
TOTAL	4 349	3 877

17. TRADE AND OTHER ACCOUNTS RECEIVABLE

As at the reporting date, trade and other accounts receivable of the Group are stated as follows:

	31.12.2018	31.12.2017
Trade receivables	145	128
Other receivables	120	101
Expected credit losses	(36)	-
Provision for doubtful debts	-	(56)
TOTAL	229	173

Changes in the provision for impairment of receivables are stated below:

	2017
OPENING BALANCE	**(51)**
Impairment loss	(6)
Use of provision for doubtful debts	2
Effect of presentation currency	(1)
CLOSING BALANCE	(56)

	2018
Opening balance	**(56)**
Adjustment of allowance for expected credit loss	(69)
ADJUSTED OPENING BALANCE	**(125)**
Reversal of allowance for expected credit loss (Note 11)	48
Use of provision	44
Effect of presentation currency	(3)
CLOSING BALANCE	(36)

Maturity of trade and other accounts receivable is stated as follows:

	31.12.2018		
	Total value	Expected credit losses	Coefficient of expected credit losses
Up to 30 days of delay in payment	212	(20)	9,36%
Up to 31-90 days of delay in payment	14	(2)	12,09%
Up to 91-180 days of delay in payment	1	-	39,39%
Up to 181- 360 days of delay in payment	24	-	-
Over 1 year of delay in payment	14	(14)	100,00%
TOTAL	**265**	**36**	-

		31.12.2017
Undue		18
Due		110
	due up to 30 days	-
	due up to 90 days	2
	due up to 180 days	3
	due up to 365 days	-
	over 365 days	105
TOTAL TRADE ACCOUNTS RECEIVABLE		**128**

All receivables are denominated in UAH.

As of 31 December 2018 and 2017, the share of the largest receivables is approximately 51% and 32% of the total carrying amount of trade receivables, respectively.

18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the Group are stated as follows:

	31.12.2018	31.12.2017
Cash on deposit accounts	181	1 069
Cash on current accounts	84	211
TOTAL	**265**	**1 280**

Currencies of cash and cash equivalents of the Group are as follows:

		31.12.2018	31.12.2017
UAH	UAH	263	1 278
EUR	EUR	2	2
TOTAL		**265**	**1280**

As of 31 December 2018, deposits were mainly represented by short-term deposits with a term of 6 days at Kredobank Bank in Ukrainian hryvnias and at an interest rate of 9% per annum with a maturity of 3 January 2018.

As of 31 December 2017, deposits were mainly represented by short-term deposits with a term of 6 days at Kredobank bank in Ukrainian hryvnias and at an interest rate of 9% per annum with a maturity of 3 January 2018.

Income from deposits and balances in current accounts is recognized in profit or loss in financial income.

Information on the credit rating of banks (Moody's) on which accounts the Group has balances of cash and cash equivalents is presented below:

	31.12.2018	31.12.2017
A1	258	35
A3	-	-
Caa1	1	-
Caa3	-	2
No ratings	6	1 243
TOTAL	**265**	**1 280**

19. SHARE CAPITAL

As at 31 December, share capital was presented as follows:

	31.12.2018		31.12.2017	
	Ownership share, %	Cost	Ownership share, %	Cost
Dragon Capital Investments	100%	349	93%	325
DRGN Limited	-	-	5%	18
Other	-	-	2%	6
TOTAL	**100%**	**349**	**100%**	349

The Group's authorized capital consists of 7 039 082 ordinary shares with the par value of 0,25 Ukrainian hryvnia each.

For the years 2017-2018 and prior to the date of approval of these consolidated financial statements, the Group neither accrued nor paid any dividends.

20. LOANS AND BORROWINGS

Loans and borrowings of the Group included:

	31.12.2018	31.12.2017
Long-term loans and borrowings	12	16
Current loans and borrowings	1 646	1 018
in particular		
current portion of long-term loans	*11*	*28*
current loans	*1 635*	*990*
interest liabilities	-	-
TOTAL	**1 658**	1 034

Terms and conditions for loans repayments are as follows:

	31.12.2018			31.12.2017		
	Interest rate	Maturity term	Liabilities	Interest rate	Maturity term	Liabilities
PJSC Kredobank	16,60%	Sep. 2019	1 069	16,10%	Sep.2018	989
PJSC Credi Agricole Bank	18,50%	Jul.2019	565	-	-	-
PJSC Credi Agricole Bank	8,90%	Nov.2020	16	8,90%	Nov.2020	24
PJSC Credi Agricole Bank	14,29%	May 2021	7	-	-	-
PJSC Credi Agricole Bank	7,00%	Jan.2019	1	6,90%	Jan.2019	11
PJSC Credi Agricole Bank	-	-	-	11,90%	Jul.2018	5
PJSC Credi Agricole Bank	-	-	-	16,00%	Nov.2018	5
TOTAL	-	-	1 658	-	-	1 034

All loans and borrowings are received in UAH.

As at 31 December, collaterals of loans and borrowings were as follows:

	31.12.2018	31.12.2017
Land and buildings	382	678
Production equipment	408	585
Vehicles	58	93
TOTAL	**848**	1 356

Changes of liabilities resulted from financial activity are stated as follows:

	2018	2017
OPENING BALANCE	**1 034**	**753**
Cash flows from financial activity		
Cash inflows	3 511	2 146
Cash outflows	(2 890)	(1 824)
Other		
Interest accrual	146	-
Interest paid (operating activity)	(146)	-
Effect of presentation currency	3	(41)
CLOSING BALANCE	**1 658**	**1 034**

21. PENSION BENEFIT LIABILITIES

The Group contributes to the Pension Fund of Ukraine as defined by the set rates from the amount of accrued wages to the employees of PJSC KMZ Industries. Such expenses are recognized in profit or loss in the period in which the payroll is accrued. The Group also has a legal obligation to compensate the Pension Fund of Ukraine for the amount of supplementary pensions paid to certain categories of current and former employees of the Group. The costs associated with this plan are calculated using the projected unit method of those employees who are eligible for such payments. All pension plans in Ukraine are not secured. Liabilities for defined benefit plans are calculated using approved actuarial techniques.

As at 31 December 2018, the defined benefit plan covers 31 existing employees and 22 former employees receive such payments (as at 31 December 2017 — 32 employees and 30 employees, respectively).

Main assumptions used to define pension benefit liabilities are as follows:

Changes of the present value of defined benefit liabilities are stated as follows:

	2018	2017
COST OF LIABILITIES AT THE BEGINNING OF THE PERIOD	**122**	66
Interest expenses	75	48
Remunerations paid	(13)	(16)
Actuarial expenses	8	28
Effect of presentation currency	1	(4)
COST OF LIABILITIES AT THE END OF THE PERIOD	**193**	**122**

Main assumptions used to define pension liabilities are stated as follows:

	2018	2017
Discount rate	19,0%	13,5%
Expected salary growth	5,0%	5,0%

Impact on pension benefit liabilities from changes in main assumptions is as follows:

	2018	2017
Increase/decrease of discount rate by 1%	(16)/14	(10)/12
Increase/decrease of salary by 1%	21/(18)	15/(13)

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22. TRADE AND OTHER ACCOUNTS PAYABLE

As at the reporting date, trade and other accounts payable are stated as follows:

	31.12.2018	31.12.2017
Trade accounts payable	515	167
Other accounts payable	2	59
Payables for personnel	76	83
TOTAL	**593**	**309**

Currencies of payables are as follows:

		31.12.2018	31.12.2017
UAH	UAH	470	300
EUR	EUR	123	9
TOTAL		**593**	**309**

As of 31 December 2018 and 2017, the largest creditor's share is approximately 23% and 29%, respectively, of the total carrying amount of trade payables.

23. CURRENT PROVISIONS

Current provisions of the Group are stated as follows:

	31.12.2018	31.12.2017
Provisions for unused vacations	126	103
Other provisions	14	-
TOTAL	**140**	**103**

24. ACCOUNTS PAYABLE ON SETTLEMENTS WITH BUDGET

Accounts payable on settlements with budget are stated as follows:

	31.12.2018	31.12.2017
Value added tax	27	236
Other taxes and levies	23	23
Social insurance	14	15
TOTAL	**64**	**274**

25. EARNINGS PER SHARE

The basic earnings per share are calculated by dividing the profit or loss attributable to the holders of the Parent's ordinary shares by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit attributable to the holders of the Company's ordinary shares (after adjusting for interest on convertible preferred stock) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares to be issued in case of conversion of all potential diluted ordinary shares.

The weighted average number of ordinary shares outstanding equals the number of shares outstanding at the beginning of the period increased by the number of shares issued during the period, net of the number of shares purchased during the period by the company and multiplied by the weighted temporary ratio. The weighted ratio is defined as the fraction of the number of days the shares are in circulation by the total number of days in the reporting period.

The weighted average number of outstanding shares based on the effect of all dilutive potential ordinary shares is calculated as the weighted average number of ordinary shares outstanding plus the weighted average number of ordinary shares that would be issued after the conversion of all dilutive potential ordinary shares into ordinary shares.

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	2018	2017
Number of shares at the beginning of year	7 039 082	7 039 082
Number of shares issued during the year	-	-
Number of shares bought our during the year	-	-
NUMBER OF SHARES AT THE END OF THE YEAR	**7 039 082**	**7 039 082**
Number of days of shares being outstanding	365	365
Total number of days during the reporting year	365	365
Weighted temporary coefficient	1,0	1,0
Average weighted number of ordinary shares to calculate base earnings per share	**7 039 082**	**7 039 082**
Average weighted number of shares outstanding taking into account the effect of all dilutive potential ordinary shares	**7 039 082**	**7 039 082**

See below information about earnings and number of shares used in calculations of base and diluted earnings per share (in USD):

	2018	2017
Net earnings attributable to holders of ordinary shares to calculate base earnings per share	589	316
Net earnings attributable to holders of ordinary shares adjusted taking into account dilutive effect	589	316
Net earnings attributable to holders of ordinary shares to calculate base earnings	**0,08**	**0,04**
Net earnings attributable to holders of ordinary shares adjusted taking into account dilutive effect	**0,08**	**0,04**

26. RELATED PARTY TRANSACTIONS

In these financial statements parties are considered to be related, where one of the parties has the ability to control the other party or exercise significant influence over the financial and operational decisions of the other party, as defined in IAS 24 "Related Party Disclosures". Related parties may enter into agreements that would not be conducted between unrelated parties, the prices and conditions for such transactions may differ from the agreements and conditions between unrelated parties. The decision about which parties are related is taken not only on the basis of their legal form, but resulting from the nature of relations with related parties.

Related parties of the Group include:

- owners and their close family members;
- key management staff;
- entities under control or joint control of the owners.

- <u>Transactions with key management personnel</u>

Key management personnel are employees having authority and responsibility for planning, administrating and controlling the activities of the Group.

Key managing personnel did not receive any remuneration except for salary in the amount of USD 346 thousands during 2018 and USD 338 thousand for 2017; the number of key executives – 11. Remuneration to the key personnel is included in administrative expenses in the statement of comprehensive income.

Other receivables include free loans to key personnel in the amount of USD 13 thousand as of 31 December 2018 and USD 45 thousand as of 31 December 2017.

There were no other related party transactions (except those listed above) for the years ended 31 December 2018 and 31 December 2017.

27. COMMITMENTS AND CONTINGENT LIABILITIES

Contingent liabilities

Legal Aspects

In the normal course of business the Group is subject to litigation and claims. Management believes that the ultimate amount of liabilities that may arise as a result of such litigation and claims will not have a material adverse effect on its financial position or results of future operations of the Group.

Tax risks

Ukrainian laws and regulations governing taxation and other aspects of the enterprises operational matters, including exchange rates control and customs regulations, continue to evolve as a result of economic transition. The provisions of laws and regulations are often vague and their interpretation depends on the position of local, regional and national authorities and other public bodies. Cases of different interpretations of the law are not single.

The activity of the Group and its financial position will continue to be influenced by the development of the political situation in Ukraine, as well as the application of existing and future legislative and regulatory acts in the field of taxation. The management believes that such unforeseen circumstances will not have on the Group greater impact than other similar companies in Ukraine.

Commitments

The Group as a lessee

The Group is liable for operating lease necessary for the operation of its land plots and equipment. Lease payments are preliminary agreed between the Group and the lessors. According to the agreements, being non-canceled as of 31 December, the future minimum lease payments for the next reporting period will include:

	31.12.2018	31.12.2017
Agreements with the term up to one year	50	45
Agreements with the term over one year, but not exceeding five years	-	-
Agreements with the term over five years	-	-
TOTAL	**50**	45

The Group as a lessor

The Group concluded a number of contracts for leasing premises. According to the non-canceled agreements, as at 31 December, the future minimum lease revenue for the next reporting period will be:

	31.12.2018	31.12.2017
Agreements with the term up to one year	1	1
Agreements with the term over one year, but not exceeding five years	3	-
Agreements with the term over five years	-	-
TOTAL	4	1

28. FINANCIAL RISK MANAGEMENT POLICY

The Group's principal financial instruments comprise loans and borrowings, cash and cash equivalents. In addition, the Group has various other financial instruments, such as trade and other receivables and payables, which arise directly from its operations. The Group's policy is not to enter in trade in financial instruments. The Group's overall risk management program focuses on the unpredictability and inefficiency of the Ukrainian financial markets and seeks to minimize potential adverse effects on the financial position of the Group.

The main risks, arising from the Group's financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk. The management of the Group reviews and agrees policies for managing each of these risks. The essence of these approaches is disclosed below.

Classification of financial instruments

At the reporting dates financial instruments are stated as follows:

	31.12.2018
Financial assets measured at amortized cost	
Trade and other accounts receivable	229
Cash and cash equivalents	265
TOTAL FINANCIAL ASSETS	494
Financial liabilities measured at amortized cost	
Loans and borrowings	1 658
Trade and other accounts payable	593
TOTAL FINANCIAL LIABILITIES	**2 251**

	31.12.2017
Loans and accounts payable	
Trade and other accounts receivable	72
Cash and cash equivalents	1 280
TOTAL ASSETS	1 352
Financial liabilities at amortized cost	
Loans and borrowings	1 034
Trade and other accounts payable	226
TOTAL LIABILITIES	1 260

Interest rate risk

The interest rate risk, generally, relates to interest-bearing loans and other debt obligations of the Group. The Group`s management reviews market interest rates in order to minimize the interest rate risk that the Group is exposed to.

Interest rate risk usually arises in respect of floating interest rate financial assets and financial liabilities. Foreign currency risk exposure is determined in relation to the Group's functional currency. For the years ended 31 December 2018 and 2017, the Group had no financial liabilities with variable interest rates.

Liquidity risk

The Group`s objective is to maintain a balance between continuity of funding and flexibility through the use of loans provided by banks and suppliers. The Group monitors its assets and liabilities as to circulation and mature terms and plans its liquidity depending upon the expected assumptions of various instruments repayment.

The table below summarizes the maturity profile of the Group`s financial assets and liabilities based on contractual undiscounted payments as at 31 December:

31.12.2018	Statement of financial position	Contractual cash flows			
		Less than 3 months	Less than 12 months	1 – 3 years	TOTAL
Loans and borrowings	1 658	75	1 731	16	1 822
Trade and other payables	593	593	-	-	593
TOTAL LIABILITIES	2 251	668	1 731	16	2 415

31.12.2017	Statement of financial position	Contractual cash flows			
		Less than 3 months	Less than 12 months	1 – 3 years	TOTAL
Loans and borrowings	1 034	48	1 112	18	1 178
Trade and other payables	226	517	162	7	686
TOTAL LIABILITIES	1 260	565	1 274	25	1 864

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Currency risk

In accordance with IFRS 7, currency risk arises on financial instruments in a non-functional currency and is monetary in nature; risks related to currency translation are not taken into account. Currency risk arises mainly in non-functional currencies in which the Group has its financial instruments.

Tables below present the provided monetary financial assets and liabilities of the Group at carrying amounts as of the reporting date:

31.12.2018	UAH	EUR	TOTAL
Trade and other accounts receivable	229	-	229
Cash and cash equivalents	263	2	265
TOTAL ASSETS	**492**	**2**	**494**
Loans and borrowings	1 658	-	1 658
Trade and other accounts payable	470	123	593
TOTAL LIABILITIES	**2 128**	**123**	**2 251**
NET POSITION	**(1 636)**	**(121)**	**(1 757)**

31.12.2017	UAH	EUR	TOTAL
Trade and other accounts receivable	72	-	72
Cash and cash equivalents	1 278	2	1 280
TOTAL ASSETS	**1 350**	**2**	**1 352**
Loans and borrowings	1 034	-	1 034
Trade and other accounts payable	300	9	309
TOTAL LIABILITIES	**1 334**	**9**	**1 343**
NET POSITION	**16**	**(7)**	**9**

The table below demonstrates the sensitivity of the Group's profit before tax and equity to possible moderate exchange rate changes, with other components held constant:

Effect on profit before tax and equity	For the reporting year
At 31 December 2018	
Increase of exchange rate by 5%	(6)
Decrease of exchange rate by 5%	6
At 31 December 2017	
Increase of exchange rate by 10%	(1)
Decrease of exchange rate by 10%	1

Credit risk

Financial instruments that potentially expose the Group to the concentration of credit risks primarily include trade and other receivables, cash and cash equivalents. The Group management has an appropriate credit policy, and possible credit risks are constantly monitored. Credit risk is assessed for all customers, which are credited for the amount exceeding a certain limit. Most of the Group's sales are made to customers who have an appropriate credit history, or on the basis of payment. The Group does not require collateral as security for its financial assets. Credit risk of the Group is monitored and analyzed in each case, and based on the statistics of debt collection management believes that it has no significant risk of loss in excess of the amounts recognized in provisions to cover impairment losses on each category of assets. Cash is placed in such financial institutions, which are subject to minimal risk of default at the time of placement.

Maximum credit risk exposure at the reporting date has comprised:

	31.12.2018	31.12.2017
Trade and other accounts receivable	229	72
Cash and cash equivalents	265	1 280
TOTAL	494	1 352

Capital management

The Group considers equity and borrowings as the main sources of financing. The main objective of the Group's capital management is to maintain sufficient credit and equity ratios to maintain the Group's ability to continue as a going concern. Capital risk management mainly relates to meeting the requirements of Ukrainian law.

The capital management policy is aimed at ensuring and maintaining an optimal capital structure in order to reduce the overall capital expenditures and flexibility relating to the Group's access to capital markets.

Management seeks to keep balance between the higher yields that can be achieved with a higher level of borrowing and the benefits and stability provided by a sound equity position.

There were no changes in the approach to capital management during the reporting period.

The Group uses EBITDA to analyze profitability and liquidity risks on its payables.

	31.12.2018	31.12.2017
Income from sales	14 601	9 989
Cost of sales	(11 464)	(7 647)
Gross profit	**3 137**	**2 342**
Administrative expenses	(1 341)	(1 082)
Commercial expenses	(773)	(576)
Other income	90	49
Other expenses	(178)	(157)
Operating profit net of interest and taxes	**935**	**576**
Depreciation of property, plant and equipment (Note 15)	219	212
Amortization of intangible assets	2	2
EBITDA	**1 156**	**790**

29. FAIR VALUE MEASUREMENT

The fair value of financial assets and liabilities included in the financial statements is the amount for which the instrument could be exchanged as a result of a current transaction between interested parties other than a forced sale or liquidation.

The following methods and assumptions were used to determine fair value:

- the fair value of cash and cash equivalents, trade receivables and payables, and other current liabilities approximately equals to their carrying amount, largely due to the fact that these instruments will be repaid in the near future;
- the fair value of loans provided by the Group and other financial liabilities is determined by discounting future cash flows using current rates for debt with similar terms, credit risk and remaining maturities.

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Hierarchy of the fair value measurement

The Group assesses financial instruments and non-financial assets, such as fixed assets at fair value at each date of the statement of financial position. All assets and liabilities measured at fair value are classified within the fair value hierarchy described below:

- Instruments whose fair value was determined based on quoted prices in active markets for identical assets or liabilities – Level 1
- Instruments whose fair value was determined on the basis of on the non-quotation prices included in Level 1, the inputs observable for the asset or liability directly (prices) or indirectly (price derivatives) – Level 2
- Instruments whose fair value was based on unobservable inputs for assets or liabilities (unobservable inputs) – Level 3.

The table below represents the hierarchy of fair value measurements of the Group's assets and liabilities:

31.12.2018	Statement of financial position	Level 1	Level 2	Level 3	TOTAL
Financial assets whose fair value is disclosed					
Trade and other accounts receivable	229	-	-	229	229
Cash and cash equivalents	265	-	-	265	265
Financial liabilities whose fair value is disclosed					
Loans and borrowings	1 658	-	-	1 658	1 658
Trade and other accounts payable	593	-	-	593	593

31.12.2017	Statement of financial position	Level 1	Level 2	Level 3	TOTAL
Financial assets whose fair value is disclosed					
Trade and other accounts receivable	72	-	-	72	72
Cash and cash equivalents	1 280	-	-	1 280	1 280
Financial liabilities whose fair value is disclosed					
Loans and borrowings	1 034	-	-	1 034	1 034
Trade and other accounts payable	226	-	-	226	226

30. EVENTS AFTER THE REPORTING DATE

After the reporting date, there were no significant events that had material impact on understanding of these financial statements.

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