ovostar union

OVOSTAR UNION ANNUAL REPORT

Financial year ended 31 December 2021

CONTENTS

Management Report

Corporate summary	5
Market Overview	10
Key Financials	12
Segment Activities	13
Financial Results	16
Outlook for 2022	18
Human Resources	19
Risk Management and Internal Control	20
Shareholders and Share Information	26

Corporate Governance

The Board of Directors	28
Committees of the Board of Directors	32
Meetings with Shareholders	33
Corporate Governance and Control	35
Non-financial Information	37

Financial Statements

Consolidated financial statements	40
Company financial statements	85

CEO's Statement

Dear Shareholders,

While reporting on the results of the financial year 2021 we have to at all times bear in mind the tragedy that befell Ukraine on February 24, 2022. Once a peaceful flourishing country was blatantly attacked by the Russian military forces who ever since keep bringing chaos and destruction to our homes and taking lives of our people. On the background of these horrible events Ovostar Union strives to make its modest contribution to the common effort aimed at defending Ukraine. As a producer of basic foods like eggs and egg products, we realize how important our work is for the country's food security. Since the beginning of the invasion our productions sites never stopped operating producing and delivering nutrition to the people. I want to thank everyone from Ovostar team for their dedication and courage that has been leading the company through the hardest of times. I also want to say words of appreciation to our suppliers and customers and, of course, to the brave men and women who are fighting for our victory over the enemy. Back in 2021 Ovostar had many plans for the year ahead. The company had progress in terms of operational efficiency that together with favorable market conditions laid solid basis for further development. The Group became #1 egg producer in Ukraine and remained one of the biggest exporters to Europe. Today, however, like most Ukraine-located businesses we have to shift focus and adjust the strategy to the new business environment full of risks and uncertainties. We believe that the day is close when the justice will be restored and the enemy defeated.

Sincerely,
Borys Bielikov

MANAGEMENT REPORT

CORPORATE SUMMARY
Company Overview

Ovostar Union Public Company Limited is a holding entity originally incorporated under the laws of the Netherlands in 2011 and re-domiciled to Cyprus in 2018. It consolidates companies with production assets located in Ukraine and non-Ukrainian trading companies in Latvia, British Virgin Islands and United Arab Emirates (hereinafter referred to as "we, us"). Our shares have been quoted on the Warsaw Stock Exchange since June 2011.

Our goal has been to produce ecologically clean and healthy food for our clients in Ukraine and abroad. We are growing organically by gradually increasing the volume of eggs produced and expanding the range of egg products offered. For over a decade Ovostar Union has been one of leaders of the local egg industry belonging to the top 3 producers in Ukraine.

With focus on developing the export markets, we are expanding our sales geography supplying shell eggs and egg products of consistently high quality around the countries of Europe, Middle East, Africa and Asia.

Within the egg segment, we possess shell egg portfolio of over 20 sub-brands and supply our branded eggs to the largest retail chains in Ukraine. As a result of export markets development we are gradually increasing the deliveries of shell eggs outside of Ukraine.

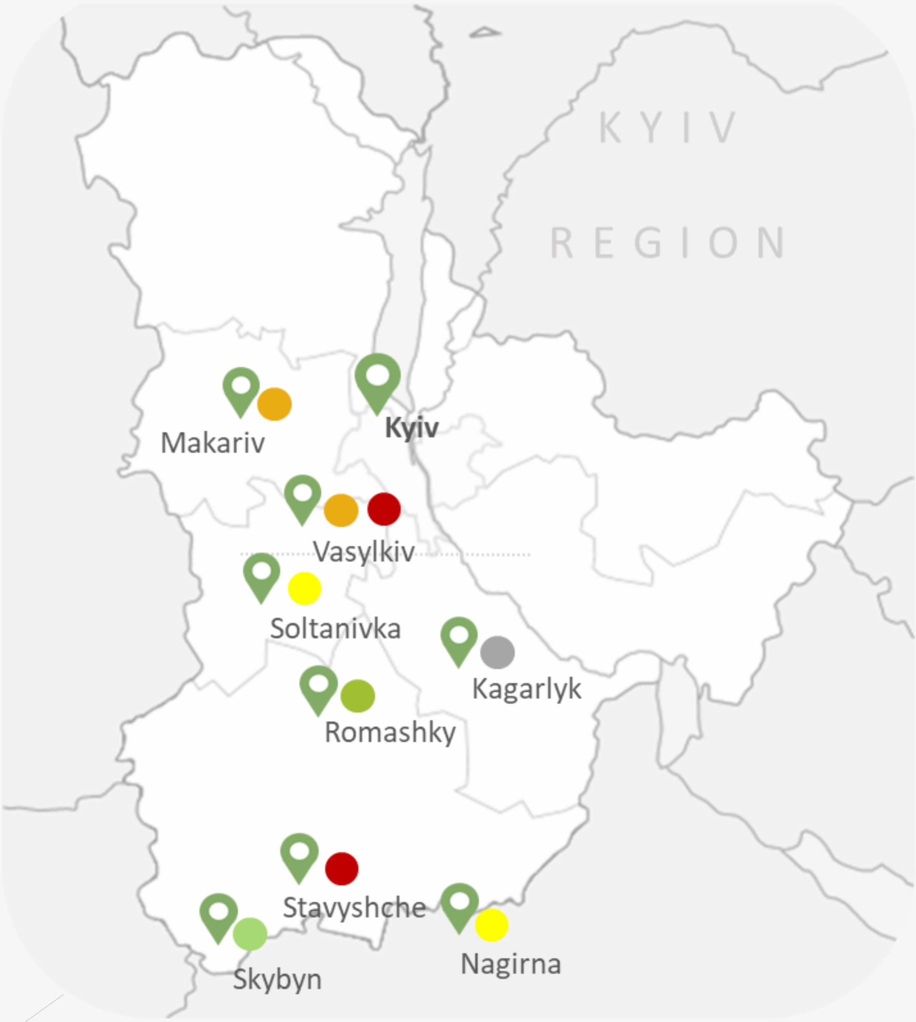
Within the egg products segment, we offer the full range of egg products of both liquid and dry forms. We enjoy loyalty of the largest food processing companies in Ukraine and abroad by adjusting our products to the clients' needs while maintaining the superior quality.

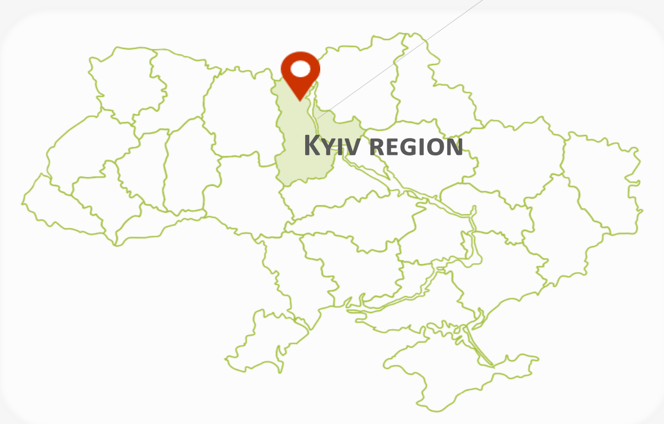
CORPORATE SUMMARY
Business Geography

We are a vertically integrated agricultural holding with key production facilities and supporting infrastructure concentrated within Kyiv region of Ukraine in close proximity to one another other.

Two poultry farms with total flock of 8 million hens (including parents, young hens and layers) ensure production of nearly 1.8 eggs per year. Two egg processing plants have manufacturing capacity for yearly output of 3.5 tons of dry and 14 tons of liquid egg products.

The state-of-the-art equipment installed at our production sites comes from the best experts such as Big Dutchman, Salmet, MOBA and others. Combined with the innovative technology solutions and best practices deployed it makes us a recognized industry leader.





Fodder mill
Breeder farm
Hatchery
Young laying hens farm
Laying hens farm
Egg processing plant

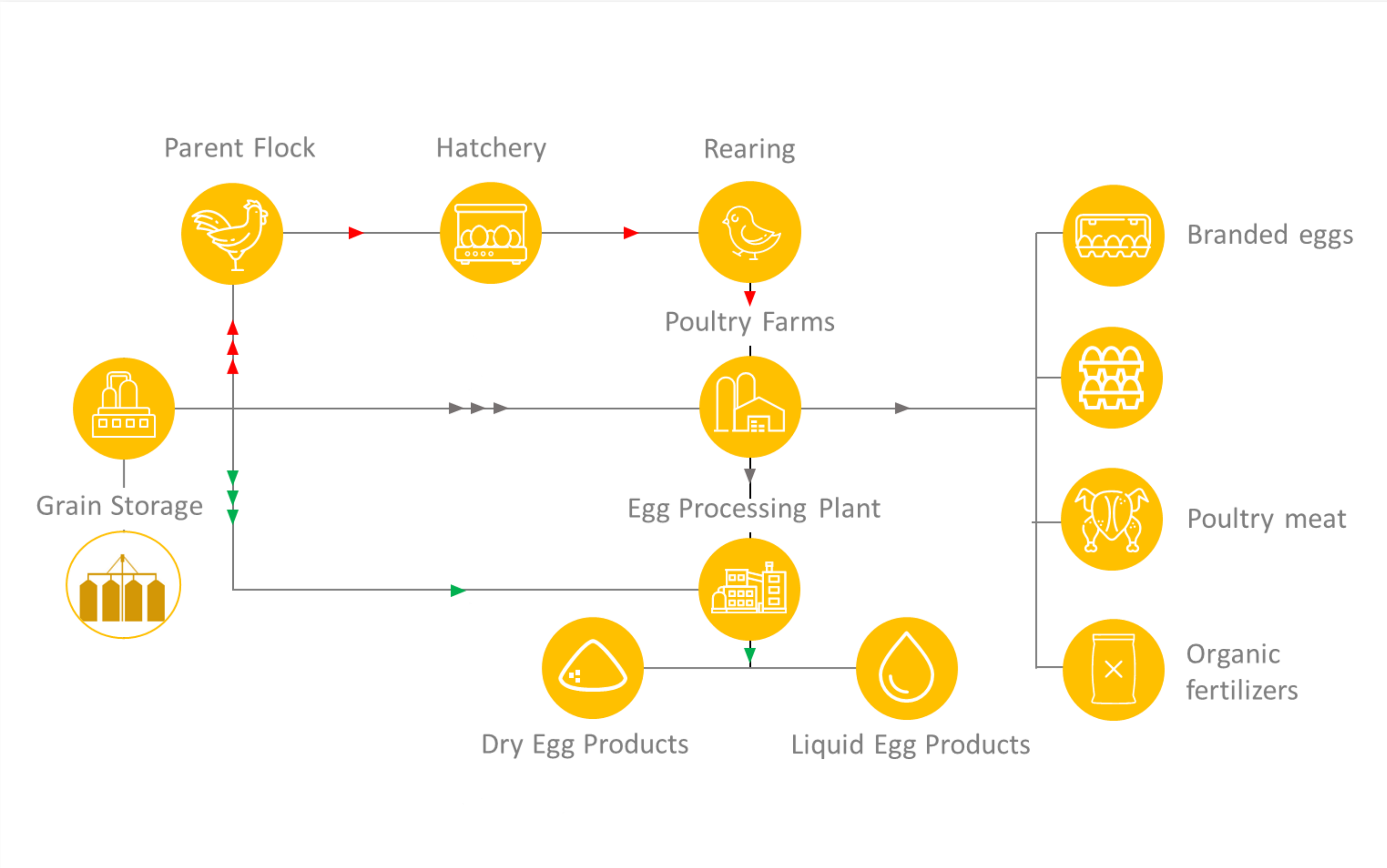
CORPORATE SUMMARY
Business Model

We employ the most up-to-date poultry and processing equipment and progressive technological concepts at our production sites in order to ensure efficiency of production processes and superior quality of final products.

Having initially adopted a large-scale production approach, we have built up a vertically integrated business model with full production cycle spanning from parent flock to egg processing.

Alongside our core business we maintain our own fodder production, rapeseeds processing and grain storage, which secure the high quality of fodder for our poultry flock.

Our products are compliant with international quality standards ISO 9001:2015 and FSSC 22000 v.5 as well as applicable national Ukrainian standards and sanitary norms. We also possess the Halal Certificate to export internationally and are certified to export both shell eggs of class “A” and egg products to the European Union.



CORPORATE SUMMARY
Our Brands - Shell Eggs

We supply Ukrainian market with the widest range of packaged shell eggs under brand name Yasensvit™. Key customers of egg segment are large local and international retail chains in Ukraine.

Price for branded packaged eggs is traditionally higher than the average egg price on the market. Having YasensvitTM for over 15 years on the Ukrainian market, the price premium is justified by consumers' recognition of consistently high quality of products under YasensvitTM brand and the wide range of assortment adjusted to specific consumer preferences.

In 2021 we kept the position of one of the major producers of private label eggs in Ukraine.

Our eggs branded by retail network labels are supplied to Auchan, Silpo, Metro, Novus, ATB, Velyka Kyshenya and a number of smaller regional retail chains.

In 2019 new design and logo of YasensvitTM was introduced in response to the fast changing market conditions and consumer needs. These steps, as a part of the upgraded marketing strategy, are aimed at building up the existing customer loyalty and attracting new clientele.

In 2020 a free range poultry house was completed and certified for production of shell eggs marked as "Free Range". The Company is one and only among local industrial egg producers who launched free range egg production.

- Over 15 years the most recognizable trade mark on the Ukrainian market;
- Consistently high product quality;
- Supplier to the largest retail chains in Ukraine;
- Whole product portfolio of premium, standard, economy and private label categories.

PREMIUM STANDARD

CORPORATE SUMMARY
Our Brands - Eggs Products

We offer a wide range of separated and whole egg products in dry and liquid form under the OVOSTAR brand. The demand for egg products mainly comes from food processing companies in Ukraine and abroad.

The segment is mainly B2B-oriented as the egg products are used for production of confectionary, mayonnaise, meat products etc. Each client requests the egg product with certain characteristics needed for the final good. Our flexibility to adjust to clients' needs maintains the loyalty of our major clients as well as our position of market maker of liquid egg products in Ukraine.

Among our key local customers are Roshen, Schedro, Mondelez Ukraine, Volyn Holding, Kharkiv Biscuit and others. We are also the exclusive supplier of eggs and egg products to McDonalds Ukraine.

Inspired by the success of bottled liquid egg white and liquid whole egg, offered to our customers in 2018, in 2019 we introduced a new egg product in retail segment - bottled scrambled eggs. Further, in 2020 we launched production of liquid white, liquid eggs and omelets in pure-pak cartons, that are now available in most retail-chains all over the country.

Brand-new liquid egg products in pure-pak cartons are now available to retail customers under TM YASENSVIT and OVOSTAR

MARKET OVERVIEW
Macroeconomic Indicators

Ukraine is an emerging free-market economy, with many of the components of a major European economy including a well-educated and well-trained workforce, a solid industrial base, and rich farmlands.

Following a political and economic crisis in 2014-2015 and a cumulative economic decline of 16%, Ukraine's economy began slowly growing in 2016 with two percent year-over-year growth. While the country's turn-around was primarily attributable to reforms implemented by Ukraine's first technocratic government, growth in 2016 was driven by a rebound in domestic investment activity and a modest recovery in household consumption. Domestic demand and strong agricultural harvests continued to fuel the economic growth of 3.3 % in 2018 and 3.2 % in 2019.

In 2021, Ukraine's economy recovered mildly at 3.6%, which is faster than anticipated and the growth rate rose to 3.8% in 2022 as the spread of Covid-19 slows.

Ukraine's global trade grew with imports traditionally significantly outpacing exports, resulting in a trade deficit of $6.2 billion, which is a $4.2 billion improvement in comparison with the previous year. Import of goods and services increased by 8.8% in 2021, while export by 5.6%. Trade balance surplus in services is increased by approximately 6 % to $16.4 billion, reflecting Ukraine's growing role as an information technology (IT) leader.

Despite its slow past economic growth and expanding trade deficit, Ukraine's economy has several bright spots, most notably agriculture, which generated approximately 9.3% of GDP in 2020. Ukraine harvested about 76 million tons of grain in 2021, up from 65 million tons in 2020. Ukraine ranks among the world's top producers of grain crops including wheat, corn, and barley. Stable agricultural growth presents significant opportunities for U.S. exporters of agricultural machinery, as well as other inputs like seeds and fertilizers.

Ukraine's economic recovery and macroeconomic stabilization since 2016 are supported by the International Monetary Fund (IMF). In June 2020, Ukraine and the IMF entered into an 18-month $5 billion stand-by arrangement. At that time, the IMF disbursed the first tranche of $2.1 billion in concessionary loans to help the Ukrainian economy to weather the coronavirus pandemic. Due to reform setbacks, Ukraine has not yet qualified for a second disbursement as of September 2021. On August 23, 2021, Ukraine received $2.7 billion worth of IMF Special Drawing Rights under a worldwide program to support the global economy during the pandemic. Future IMF disbursements will depend on fulfilling reform commitments in the areas of anti-corruption, judicial reform and fiscal discipline. According to the IMF, per capita GDP in Ukraine is just 13% of the EU average in 2020 and the lowest level of all Eastern European countries. Faster, sustainable, and inclusive growth is needed to recover lost ground and improve living standards.

The population of Ukraine has undergone a major decline since the 1990s, due primarily to the low birth rate and emigration. Ukraine's population totaled 41.4 million people as of July 2021. Approximately 15.2% of the population is age 0-14, 59.5% is 16-59, and 17.4% is 65 years and over.

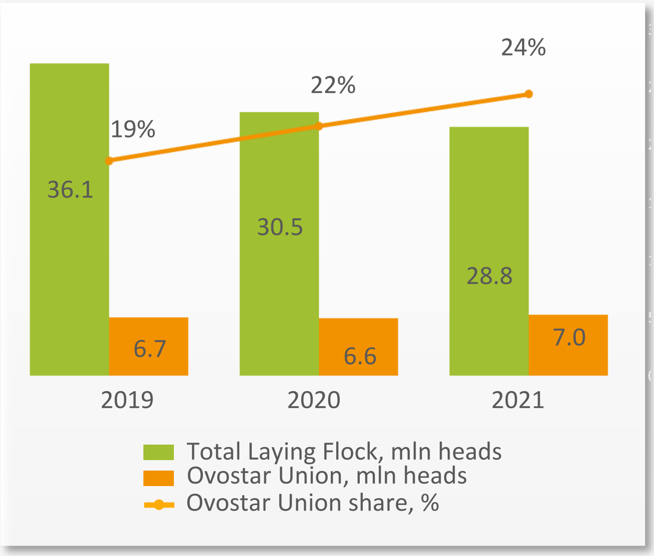
MARKET OVERVIEW
COMPETITIVE POSITION

LAYING HENS FLOCK

Ukrainian egg market is characterized by significant share of laying hens farmed by households from April to September, therefore, it can be assumed that the number of laying hens provided by State Statistics Service of Ukraine as at the end of the year presents the industrial flock.

As December 31, 2021 the industrial laying hens flock decreased by 5% YoY and amounted to 28.8 million heads (2020: 30.4 million heads). Ovostar Union share in total laying hens flock as of December 31, 2021 made up 24% (2020: 22%).

LAYING HENS FLOCK: UKRAINE* AND OVOSTAR UNION



SHELL EGG MARKET

Total volume of eggs produced in Ukraine in 2021 fell by 13% in comparison to the previous year and reached 14 bln (2020: 16.2 bln eggs).

The Ukrainian shell egg market is historically divided into industrial and household production. The volume of eggs produced in industrial format in 2021 decreased by 22% YoY to 6.9 bln eggs, or 50% of total production volume (2020: 8.9 bln eggs, or 55%). Ovostar Union share in industrial shell eggs production in 2021 was 24% (2020: 19%).

In 2021 egg consumption rate in Ukraine amounted to approximately 280 eggs per capita according to the data of Ukrainian Poultry Farmers Union (2020: 282 eggs per capita).

EGG PRODUCTS MARKET

In 2021 estimated production volume of dry egg products market in Ukraine decreased by 36% YoY to 5.5 thous. tons, output of liquid egg products grew by 8% to 17.4 thous. tons.

Ovostar Union estimated share in total volume of dry egg products output in 2021 equals 54% (2020: 43%); share in total liquid egg products produced - 83% (2020: 85%).

KEY FINANCIALS
2021 UPDATE

INCOME STATEMENT (mUSD)	2020	2021	Δ YoY, %
Revenue	98.9	133.3	35%
Gross profit	13.4	13.6	1%
EBITDA	8.0	5.7	(29%)
Profit before tax	2.8	1.6	(43%)
Net profit	2.6	1.6	(38%)

BALANCE SHEET (mUSD)	31-Dec-2020	31-Dec-2021	Δ YoY, %
Assets	131.3	141,0	7%
Non-current assets	88.2	91,5	4%
Current assets	43.1	49,5	15%
		-	
Equity and Liabilities	131.3	141,0	7%
Equity	104.4	109,9	5%
Non-current liabilities	5.5	7,5	36%
Current liabilities	21.4	23,7	11%

CASH FLOW (mUSD)	2020	2021	Δ YoY, %
Net cash generated by operating activities	15.0	18.2	21%
Net cash used in investing activities	(17.2)	(20.2)	17%
Net cash generated by financing activities	(0.8)	2.6	(425%)

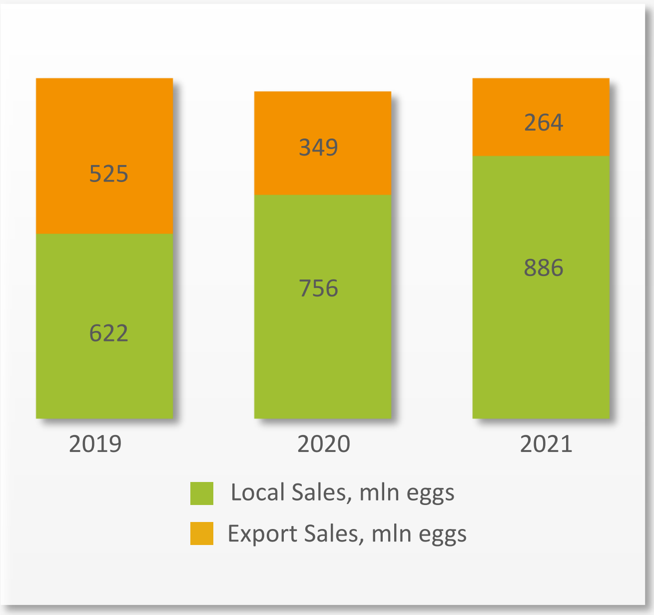
DEBT POSITION (mUSD)	31-Dec-2020	31-Dec-2021	Δ YoY, %
Total debt	10.8	12.9	19%
Cash and cash equivalents	1.6	2.4	50%
Net debt	9.1	10.4	14%

SEGMENT ACTIVITIES
EGG SEGMENT

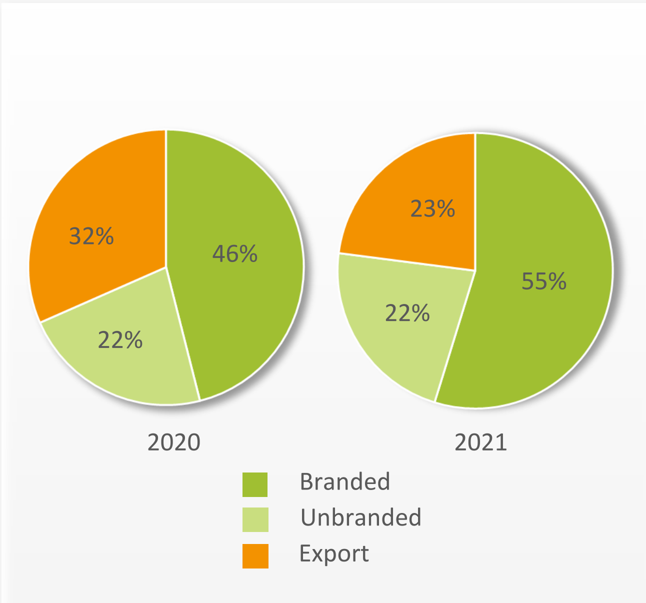
PRODUCTION
As of 31 December 2021 the Company's total flock equaled 8.4 mln hens. The number of laying hens was 7.0 mln heads which represents a 7% increase as compared to December 31, 2020. The production volume, however, remained at the level of the previous year—1 691 mln eggs (2020: 1 672 mln eggs).

SALES
In the reporting period the sales volume in shell eggs segment increased by 8% to 1 150 mln eggs (2020:   1 067 mln). The volume of eggs exported was 264 mln that makes up 23% of the total sales in the segment (2020: 349 mln or 32%). .

SHELL EGGS SALES



SHELL EGGS SALES STRUCTURE



Average price of eggs in UAH terms rose by 35% YoY and reached 2.178 UAH/egg, while in USD terms it rose to 0.080 USD/egg (2020: 1.608 UAH/egg or 0.060 USD/egg respectively).

SEGMENT ACTIVITIES
EGG PRODUCTS SEGMENT

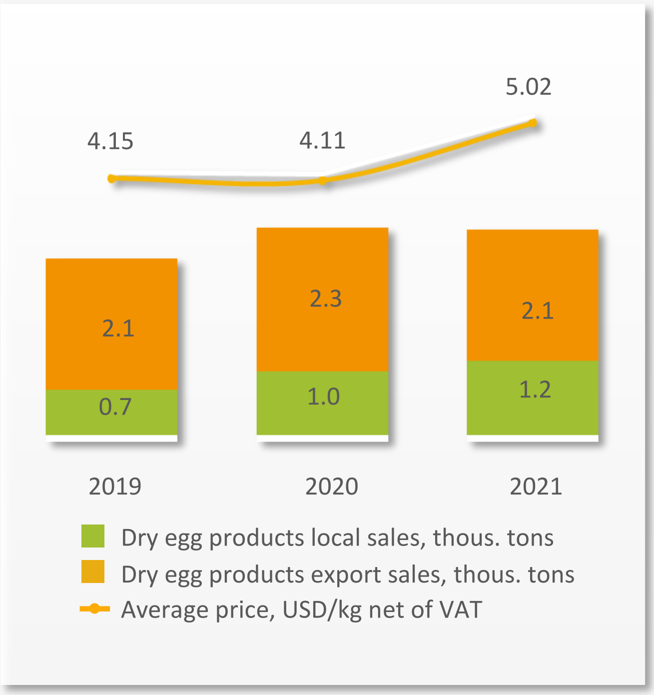
PRODUCTION

In 2021 the volume of eggs processed was 501 mln, which represents a 15% decrease as compared to the previous year (2020: 589 mln eggs). The volume of dry egg products output decreased by 15% YoY and reached 2 699 tons (2020: 3 161 tons). The output of liquid egg products decreased by 8% YoY to 14 136 tons (2020: 15 371 tons).

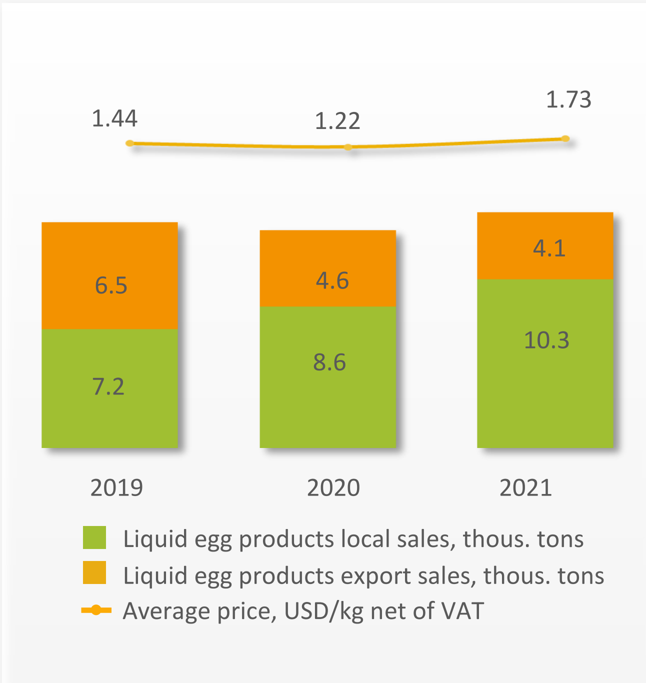
SALES

The volume of dry egg products sold fell by 1% and equaled to 3 237 tons (2020: 2 270 tons), out of which 2 064 tons, or 64%, were exported (2020: 2 268 tons or 69%). The volume of liquid egg products sales fell by 5% YoY and totaled 14 391 tons (2020: 15 165 tons), 4 098 tons, or 28%, of which were exported (2020: 4 647 tons or 31%).

DRY EGG PRODUCT SALES



LIQUID EGG PRODUCT SALES



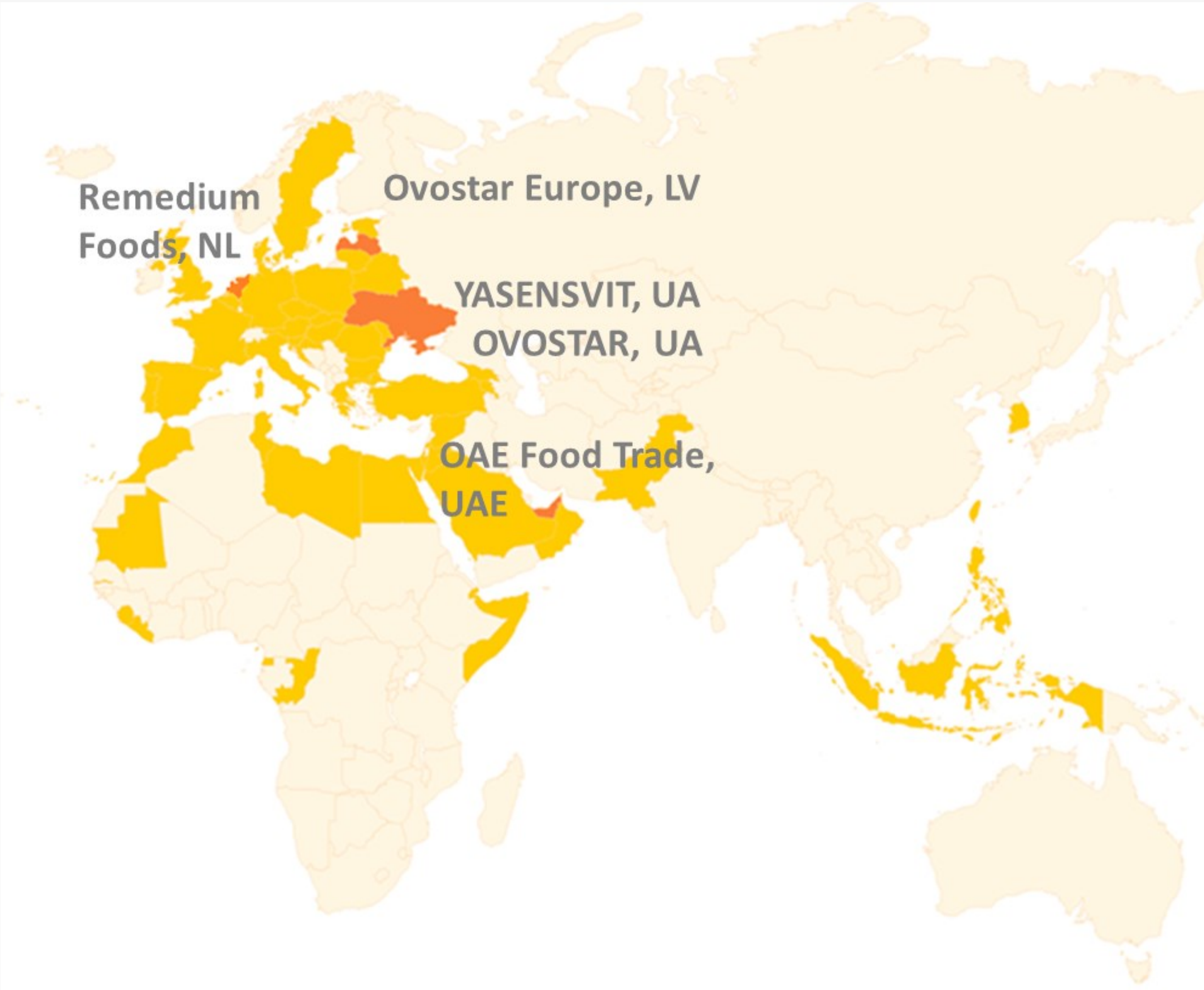
Average sales price of dry egg products increased by 23% YoY in UAH terms to 136.85 UAH/kg and by 22% in USD terms to 5.02 USD/kg (2020: 110.84 UAH/kg or 4.11 USD/kg). Average price of liquid egg products rose by 36% in UAH terms and was 47.07 UAH/kg, while in USD terms it was 1.73 USD/kg (2020: 34.71 UAH/kg, 1.29 USD/kg).

SEGMENT ACTIVITIES
SALES GEOGRAPHY BY SEGMENT

EXPORT MARKETS DEVELOPMENT

The Group exports eggs and egg products under the brand name OVOSTAR to around 50 countries of the world through its representative offices in Latvia and UAE. Key export markets are Europe and Middle East.

In 2021 28% of the total revenues of the Company came from export activities. Export revenues totaled to USD 37.7 million. Sales to Middle East contributed 13% to the total revenues (2020: 19%), sales to European Union made up 10% of total revenues (2020: 16%).



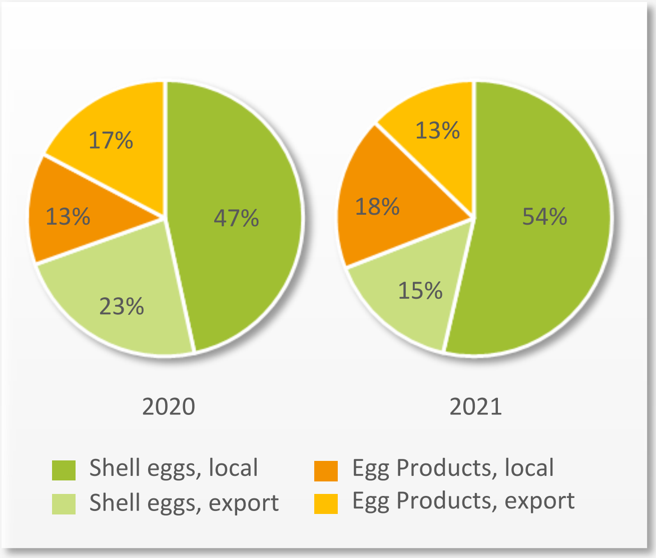
FINANCIAL RESULTS
FINANCIAL PERFORMANCE

REVENUE

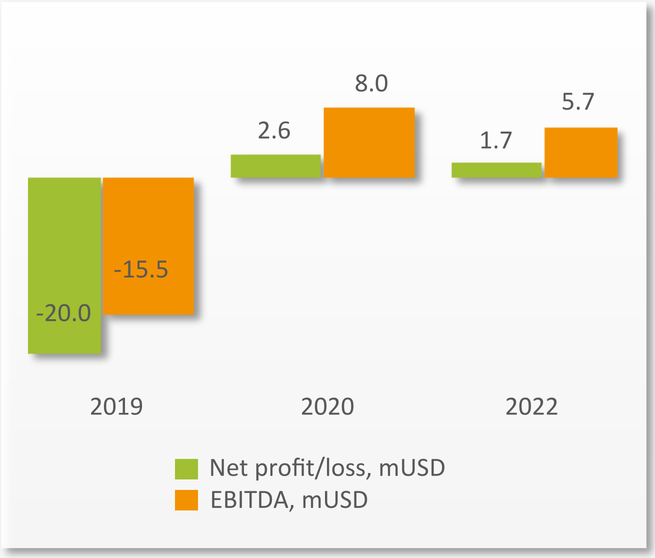
In 2021total revenues increased by 35% as compared to the previous year and amounted to USD 133.4 mln (2020: USD 98.9 mln). The main factors accounting for the increase are larger sales volumes in egg segment and higher prices of shell eggs and egg products, mostly on the local markets.

The contribution of shell egg segment to the total revenues in 2021 was USD 92.2 mln, or 69% (2020: USD 68.8 mln, or 70%). Egg products segment contributed USD 41.2 mln, or 301 (2020: USD 30.1, or 30%).

REVENUE STRUCTURE BY SEGMENT



PROFITABILITY DYNAMICS, MUSD



GROSS PROFIT AND COST OF SALES

The cost of sales increased in 2021 by 36% YoY from USD 81.7 mln to USD 111.2 mln mainly as a result of the larger sales volume of shell eggs. The other factor was continuing growth of feed mix components prices in the 1st half of the year. Gross profit totaled to USD 13.6 mln (2020: USD 13.4 mln).

NET PROFIT

Net profit for the year amounted to USD 1.7 mln (2020: USD 2.6 mln).

EBITDA

In 2021 EBITDA fell to USD 5.7 due to significant negative change in revaluation of biological assets (2020: USD 8.0 mln).

FINANCIAL RESULTS
FINANCIAL POSITION

ASSETS, LIABILITIES AND EQUITY

As of December 31, 2021 the total assets amounted to USD 141 mln, which represents a 7% increase YoY (2020: USD 131.3 mln).

The total equity increased by 5% YoY and amounted to USD 109.9 mln (2020: USD 104.4 mln), mainly due to the change in foreign currency translation reserve.

LOANS AND BORROWINGS

As of December 31, 2021 the total amount of interest-bearing loans and borrowings was USD 12.9 mln, representing a 20% growth YoY (2020: USD 10.8 mln). Net debt as of December 31, 2021 totaled to USD 10.4 mln (2019: USD 9.1 mln).

CASH FLOW

In 2021 Net cash flows from operating activities was USD 18.2 mln (2020: USD 15.0 mln).
Net CF used in investment activities was USD 20.2 mln (2020: 17.2 mln)
Net CF from financing activities was USD 2.6 mln (2020: (0.8) million).

CASH FLOWS

mln USD	2019	2020	2021
Operating CF	17.3	15.0	18.2
Investing CF	(21.8)	(17.2)	(20.2)
Financing CF	(5.9)	(0.8)	2.6

OUTLOOK FOR 2022
STRATEGY AND OUTLOOK

STRATEGY

Our organic growth strategy has been aimed at strengthening the Company's market position and expanding the presence its products in and outside of Ukraine simultaneously maintaining the customer loyalty. The focus on consistently high quality of our products and long-term relationships with our clients offset any external challenges that the egg industry may face.

The results we deliver are based on commitment of every employee. The cooperation across departments results in higher productivity of day-to-day operations and stronger synergy effect. In 2022 we intend to continue advancing employee skills to be more competitive and efficient.

OUTLOOK FOR 2022

The Company makes all efforts to adjust its strategy to the changing business environment and to respond to the new challenges. Being a part of critical infrastructure in Ukraine, the Company keeps operating, having introduced even stricter rules of production safety and control at its production sites in order to minimize risks for the employees and consumers. Under the circumstances we expect that in 2022 the focus will be placed on maintenance of the existing production facilities and increasing operating efficiency.

The management makes steps to secure the supply chain which is vital for the operations continuity. Activities in the export markets have not suffered, however, further developments are subject to the success of measures taken locally and internationally to curb the crisis and mitigate its effects.

INVESTMENT PROGRAM UPDATE

The CAPEX of 2022 is expected to be moderate with focus on maintenance and infrastructure. .

	2020	***YoY (21/20)***	***2021***	***YoY (22/21)***	***2022F***
Laying hens flock, mln heads	**6,6**	*7%*	**7,0**	*2%*	**7,2**
Eggs produced, mln	**1 671**	*1%*	*1 691*	*14%*	*1 921*
Dry egg products produced, tons	**3 161**	*-15%*	*2 699*	*85%*	*5 000*
Liquid egg products produced, tons	**13 504**	*5%*	*14 136*	*-8%*	*13 000*

HUMAN RESOURCES
Overview

The majority of our employees are involved in production processes on the premises located in Kyiv and Cherkasy regions. We recruit, employ and promote employees on the sole basis of their qualification and abilities. Equal employment opportunities and career perspectives are provided for all employees, regardless of their gender, age, nationality or religious views.

Our personnel policy is aimed to create and retain a well consolidated and highly professional team of individuals that are able to respond effectively to changing market environment. We strive to ensure a positive, productive and successful work environment. The level of satisfaction is, among other criteria, confirmed by high employee retention rates (97% on average for the last 5 years).

We aim to maintain a fair and comprehensive system of remuneration. Overall remuneration of our employees is divided into material and non-material portions. Material remuneration consists of a basic fixed salary plus a variable component like bonuses that depend on achievement of corporate and personal targets.
Non-material remuneration consists of professional trainings, corporate team-building events and free use of corporate gym.

Legal relationships between the Company and its employees are regulated by the Labor Code of Ukraine and executed in the form of term and termless labor agreements. We cooperate with the State Pension Fund making monthly social insurance contributions. A corporate pension schedule has not been established.

Our employees other than some of the Board members do not have any shareholdings in Ovostar Union PCL, to our knowledge; nor do they hold any stock options or other rights to shares nor participate in any other way in the capital of Ovostar Union PCL. Currently, no arrangements relating to such participation are planned in the short-term perspective.

Quantity of employees as of 31 December

	2019	**2020**	**2021**
Employees, EoY, incl.	1 590	1 543	1 525
Production	*1 374*	*1 353*	*1 352*
Administrative	*216*	*190*	*173*

RISK MANAGEMENT & INTERNAL CONTROL

Overview

Risk management

Risk management is an essential part of the decision-making process providing reasonable assurance that risks are controlled to the furthest extent possible. Risk management and internal control systems are being regularly discussed with the executive management and the Audit Committee. In their review of our risk profile, the main focus is placed on principal risks that could significantly deteriorate our operational and financial results.

It has to be noted that proper identification of risks significantly reduces but does not completely eliminate the possibility of human error, poor judgment in decision making, fraud or occurrence of unforeseeable events. The risks that we face in the course of regular operations are not limited to the risks described above, but those above are regarded as the most significant in the short-term perspective. No anti-takeover measures are in place. Some risks are yet unknown and some risks that are insignificant at the moment could become material in the future.

Internal control system

The Board of Directors is ultimately responsible for establishing, controlling and enhancing our internal control system. We consider risk management to be a continuous process of monitoring, assessing and mitigating risks through internal control systems and procedures at each level within the organization.

We use guidelines, instructions and procedures applied to operations, financial reporting, planning, human resource and customer management etc.; these are being reviewed and updated on a regular basis. Our employees are trained to implement and comply with these guidelines, instructions and procedures.

Key elements of the internal control system are budgeting, investment management, operational management and financial reporting. They monitor the progress and the actual results of the company's operating activities. We also use a staff evaluation and appraisal system. The process of enhancement of the internal control system will be continued in 2021.

For more information on risks please refer to Note 27 of the 2020 Consolidated Financial Statements.

Deficiencies of the system

In 2020, we did not identify any material weaknesses of the internal control system that might adversely impact our operational activity, financial results and financial position. The risks are clearly identified and controlled to the highest possible extent by our top management within their relevant function.

RISK MANAGEMENT & INTERNAL CONTROL

IDENTIFIED RISKS

	IMPACT	MITIGATION	2021 STATUS / NOTES
BIOLOGICAL RISK	Outbreaks of highly-pathogenic avian influenza in Europe and in the south of Ukraine may severely limit our ability to perform normal operations and reduce the possibility to export	Adherence to biosecurity standards in line with the best international practices. Egg production and egg processing facilities are compliant with ISO 9001: 2015 and FSSC 22000 v.5 and Halal. Diversification of sales channels	No occurrences of dangerous poultry diseases have been ever registered on our premises. We control all the processes along the full production cycle in order to provide the highest quality and ability to react fast in case of need
MACROECONOMIC RISK	Depreciation of Ukrainian Hryvnia leads to deterioration of income per household and change in consumer preferences	Worsening economic conditions has little effect on consumption of eggs per capita because eggs remain the most affordable source of animal-based protein	In 2021 egg consumption amounted to 280 eggs per capita, demonstrating stable growth over the last five years.
	Poor economic conditions result in lack of debt financing available	Historically, we have been reliant primarily on own positive cash flow and debt financing is used only for implementation of long-term investment programs. To offset he effects of the current instability of Ukrainian economy, we accumulated the cash on our bank accounts in foreign-owned banks in Ukraine and outside	We use export financing with comparatively low effective interest rate. However, excellent credit history allows to borrow funds from Ukrainian banks on favorable terms.

RISK MANAGEMENT & INTERNAL CONTROL

Identified Risks

	Impact	Mitigation	2021 Status / Notes
Price Risk	Devaluation of Ukrainian Hryvnia leads to lower price per item in USD terms and thereby decreases periodic financial results	Increase of export sales is a natural hedge against currency rate fluctuations. Higher cost incurred in UAH is being steadily transferred to the final consumer through an increase of UAH-based prices for shell eggs and egg products on the local market	In 2021 share of export revenue was 28% (2020: 40%). YoY change of prices in UAH terms: for shell eggs +33%, for dry egg products +23%, for liquid egg products +43%.
Liquidity Risk	Current capital restrictions of National Bank of Ukraine, although partially weakened in 2019, may limit the possibility to meet the financial obligations when due	We strictly control our working capital	As at December 31, 2021 all payment obligations were met on time. Part of revenues are accumulated on the bank accounts of the subsidiaries outside of Ukraine
Concentration of Sales	Excessive concentration of sales may lead to financial instability in case of loss of key customer	Our customer base is mixed in terms of size and industry. We are building a balanced customer portfolio	In 2021 we had no clients generating more than 10% of our total revenue

RISK MANAGEMENT & INTERNAL CONTROL

Identified Risks

	Impact	Mitigation	2021 Status / Notes
Competition	Offering from the existing competitors or new market entrants may weaken our competitive position	We have a unique for Ukraine vertically integrated business model with facilities in close proximity to each other, what results in high production efficiency. Having been offering products of consistently superior quality and adjusting to the market demands, we achieved the recognition and loyalty of our customers	Yasensvit™ brand holds the position of the most-recognized brand of shell eggs in Ukraine. We also have a possibility to effectively diversify our sales to destinations outside Ukraine
Climate risks	Extreme weather conditions can have a detrimental effect on the well-being of poultry flock and their production efficiency	Our egg production facilities are equipped with an automatic climate-control system	Optimal climate conditions for laying hens include 40-60% humidity and ambient temperature within 20-25^{o}C. Our production facilities are equipped with sophisticated ventilation systems to keep all vial indicators at normal levels throughout the year.

RISK MANAGEMENT & INTERNAL CONTROL

War-related Risks

Having examined the existing and potential implications of the war for the Ukraine located businesses, the management of the Group have identified several points of specific concern that require careful analysis and assessment. They identified risks include, but are not limited to, the following:

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

The Group places top priority on the **personnel's health and safety** issues. All possible action has been taken to minimize the existing threats and support the staff during this dramatic period. The HR department on a daily basis keeps record of the location of each employee to make sure that everyone is in a safe place. All administrative staff has been granted the option to work remotely. The Group closely monitors the needs of the team and promptly reacts to them within the limits of its capabilities. Forty men from the company's staff were called up to the military service.
The Group's management continue to fulfill their duties without interruptions.

The Group fully complies with all sanctions rules and regulations regarding russia and belarus, including those introduced or published by various countries and organizations. In addition, the Group refrains from contacting individuals or entities on the sanctions list. In this situation, the Group does not expect any impact on the supply chain and payment flow.

The currently known impacts of the War on the Group

The Group's major production facilities are located in Kyiv region, in Fastivskyi and Bilotserkivskyi districts, where no severe hostilities took place. The poultry houses in Vasilkiv and Stavyshche, as well as the egg-processing factory in Vasilkiv, remain physically undamaged and keep operating.
The egg-processing factory in Makariv (Buchanskiy district) had been temporarily shut down until the city was de- occupied by the Ukrainian military forces in the end of March. The subsequent inspection of the factory showed signs of critical damages to buildings not involved in the manufacturing process (waste, packing materials storages, not engaged ice-cream production facility), while main production facilities are intact and operating, administrative building sustained minor surficial damage. The management expect to put the factory back in operation once the repairing works of the premises are completed. The estimated cost of damage is UAH 2 500 thousand.
The supporting facilities accommodating hatchery, poultry houses for parent flock and young layers have not been affected and are being used in accordance with the technological process.
All Group inventory is in good condition and in safe storage.

RISK MANAGEMENT & INTERNAL CONTROL

War-related Risks

The Group has historically relied on the suppliers located in the central part of Ukraine, which implies efficient logistics and reasonably prompt deliveries to the production sites. Major contractors have not been affected by the hostilities and continue to fulfill their contractual obligations.

The military action had no critical impact on the local distribution. The main distribution channel for the egg segment is the large national retail chains. Geographically the sales are concentrated in the central part of the country. The share of sales in the most affected regions does not exceed 10%;
export sales reduced significantly. Since the start of the military campaign, the Group faced significant obstacles to export activities due to the serious disruptions in logistics. In particular, seizure of Odessa port operations cut access to the Middle East markets, where the commodities were shipped by sea. Overland deliveries to the EU countries resumed in early April after the specific license had been issued to the company.

The Group's production companies depend on imports in terms of certain feed mix supplements, vaccines, spare parts of production equipment. These items are included in the list of "critical imported goods" (as defined in the Cabinet of Ministers of Ukraine's Resolution No. 153 dated 24 February 2022) and there are no restrictions for their delivery to Ukraine. The management also take steps to select adequate substitutes in the local market.

As of date of this report there are no signs of material deterioration of the payment discipline. The Group has sufficient recourses to meet its contractual obligations. Interest bearing liabilities towards the banks are served timely.

The Group has taken the following actions in response to the current situation:

- optimized utilization of production facilities to meet domestic demand and export orders;
- the group has enough inventory for the production and sale of its products, as well as human resources in the foreseeable future;
- selling, general and administrative and other operating expenses, as well as CAPEX, have been reduced to the minimum required to meet the primary needs of the Group's core business;
- the Directors have decided not to declare a final dividend for the 2021 financial year;
- the loss of the market in the east and south of the country is expected to be offset by increased demand in central and western Ukraine, where a large number of internally displaced persons temporarily reside;
- the prescheduled repayments of main debt have been planned to be rescheduled to a later dates based on mutual agreements with the banks.

SHAREHOLDERS & SHARE INFORMATION

SHARE CAPITAL STRUCTURE

At 31 December 2021 total share capital of Ovostar Union PCL was 6 000 000 shares. Each share has a nominal value of one vote at the General Meeting of Shareholders.

According to publicly available information as at 31 December 2021, shareholders of Ovostar Union PCL with substantial participation of at least 5% of all votes at the General Meeting of Ovostar Union PCL shareholders are listed in the table "SHARE CAPITAL STRUCTURE AT 31 DECEMBER ".

No substantial changes in shareholders' structure of Ovostar Union PCL took place in 2021.

Free float remained at the level of 32.07%.

SHARE CAPITAL STRUCTURE AT 31 DECEMBER

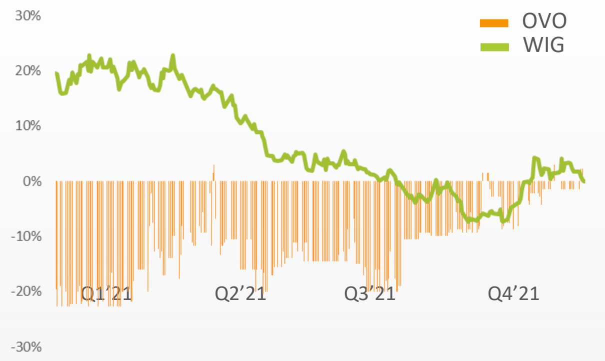
Shareholders	2021	2020	2019
Prime One Capital Ltd	68%	68%	68%
Generali	11%	11%	11%
Fairfax Financial Holdings Ltd	10%	5%	5%
Aviva	5%	5%	5%
Others	6%	11%	11%
Total	100%	100%	100%

KEY QUOTATION INDICATORS

Share price, PLN	2021	2020	2019
Opening	83	75	113
Maximum	88	89	113
Minimum	66	60	70
Closing	68	83	75

SHARE PRICE DYNAMICS IN 2021

OVO VS WIG-INDEX



Borys Bielikov
Chief Executive Officer,
Executive Director

Vitalii Veresenko
Chairman of the Board,
Non-executive Director

Karen Arshakyan
Head of Audit Committee,
Non-executive Director

Vitalii Sapozhnik
Chief Financial Officer

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS
Composition of the Board

The Company is headed by the Board of Directors, whose main function is to lead and control the company.

The number of the directors of the Company is four, the majority of whom are non-executive, out of whom two are independent within the meaning of Annex II of the European Commission Recommendation no 2005/162/WE of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. The only executive director performs duties of the Chief Executive officer.

The following composition of the Board of the Company was approved by the General Meeting on July 16, 2021:

Mr. Borys Bielokov	—	Executive Director, Chief Executive Officer
Mr. Vitalii Veresenko	—	Non-Executive Director, Chairman of the Board
Mr. Karen Arshakyan	—	Non-Executive Independent Director
Mr. Sergey Karpenko	—	Non-Executive Independent Director

BOARD OF DIRECTORS
COMPOSITION OF THE BOARD

BORYS BIELIKOV
EXECUTIVE DIRECTOR, CEO

Mr.Bielikov founded GC "Ovostar Union" in 1999 (till 2011 – LLC "Borispol Agro Trade"). Since 2007 and up to now he has been holding the position of group Chief Executive Officer. Mr. Bielikov gained the education as an aircrafts operation mechanic engineer at National Aviation University (1994).

VITALII VERESENKO
NON-EXECUTIVE DIRECTOR, CHAIRMAN OF THE BOARD

Mr. Veresenko is at GC "Ovostar Union" since 1999. Till 2001 – General Director at CJSC "Malynove", and since 2001 up to now – Head of the Supervisory Board of "Malynove" CJSC. Mr. Veresenko has diploma as automated management systems engineer of Kiev Air Defense Radio Technical Engineers College (1990).

KAREN ARSHAKYAN
NON-EXECUTIVE DIRECTOR, HEAD OF AUDIT COMMITTEE

Mr. Arshakyan joined the Board of Directors of Ovostar Union in June 2019. Mr Arshakyan acted as an external adviser to the Board during the Company's re-domiciliation from the Netherlands to Cyprus. Mr Arshakyan has a degree in Economics and Management of Agriculture from Institute of Agriculture of Armenia. His work record includes companies in Armenia, Canada and Cyprus.

SERGII KARPENKO
NON-EXECUTIVE DIRECTOR

Mr. Karpenko served as a Deputy Head of investment policy and agrarian business in Ministry of agrarian policy of Ukraine from 1997 to 2003. After that Mr. Karpenko worked at «Union of Poultry Farmers of Ukraine» and since 2006 has been acting as an Executive Director of Union. Mr. Karpenko graduated from National agrarian university majoring in Agricultural management (1997).

BOARD OF DIRECTORS
TERMS OF REFERENCE

REPRESENTATION
Members of the Board represent Ovostar Union Group and the Board has the authority to appoint any official as a representative, and to determine the list of his/her powers. The executive director is authorized to represent the Group on his own and to sign documents on behalf of the Group. In case of a conflict of interest between the Group and one of the directors, the conflicted director may not participate in the decision-making process concerning the matter causing the conflict. Members of the Board are appointed and may be suspended or dismissed from their position by the General Meeting of Shareholders.

At each annual general meeting of the Company one -third of the directors (or if their number is not a multiple of three, the number nearest to three but not exceeding one-third) shall retire by rotation. No person (including a director retiring by rotation) shall be appointed (or reappointed) a director at a general meeting of the Company unless:

(a) that individual is recommended by the board of directors or by a committee duly authorised by the board for the purpose; or

(b) not less than seven nor more than 42 days before the date appointed for holding the meeting, notice executed by a Qualified Member has been given to the Company of that member's intention to propose that individual for appointment (or reappointment) as director (stating the particulars which would, if he were so appointed, be required to be included in the Company's register of directors) together with a notice executed by that individual stating that he is willing to act as director.

SHAREHOLDING BY THE BOARD MEMBERS AND INSIDER TRADING
Securities Rules have been established, which apply to the Board members in relation to the acquisition of securities share and transactions with them. Furthermore, the conditions and requirements of the EU Market Abuse Directive and the company's Insider Trading Rules, reflecting the essence of EU Market Abuse Directive, are applicable to the Board members (and other persons related to Board Members) in relation o the acquisition of shares and equity participation.

STATEMENT OF THE BOARD OF DIRECTORS
The Board of Directors of Ovostar Union PCL hereby confirms that (1) none of the Board members is a member of any supervisory board of - or holds the position of non-executive director at more than two listed companies; (2) none of the Board members holds the position of chairman of any supervisory board - or of the board of directors, in case such board consists of executive and non-executive directors - of other companies, except for our enterprises.

BOARD OF DIRECTORS

Board of Directors meetings

In 2021 the Board of Directors held four (4) meetings. Due to the restrictions imposed on public gatherings and international travelling the meetings were arranged in the form of teleconferences on conditions that the minutes of the meetings in all cases were taken by the secretary of that meeting at the registered office of the company, or other premises on the territory of Cyprus and subsequently duly signed by the Head of the Board.

The main issues that were included in the agenda of the meetings of the Board during 2021 were as follows:

22-Apr-2021	The Company's external auditors, Messrs. BAKER TILLY KLITOU & PARTNERS were invited to inform the Board on the results of the audit of the 2020 financial statements. The auditors confirmed their content with the annual report. An unqualified auditor's opinion for the 2020 financial statements was issued. During the meeting the Board of Directors approved the Company's 2020 annual report.
12-May-2021	During the meeting the Board approved the Company's unaudited consolidated financial statements for the three months ended on March 31, 2021.
26-Aug-2021	During the meeting the Board approved the Company's unaudited consolidated financial statements for the six months ended on June 30, 2021.
12-Nov-2021	During the meeting the Board approved the Company's unaudited consolidated financial statements for the nine months ended on September 30, 2021.

BOARD COMMITTEES

AUDIT COMMITTEE

The Board of Directors has established an Audit Committee in order to meet the necessary corporate governance requirements and to ensure the Company's financial transparency.

The Audit Committee is responsible for advising and monitoring the activities of the Board of Directors in the areas of, among other things, the completeness of financial reporting, our financial strategy, tax planning, including:

(i) functioning of control and internal risk management systems;
(ii) provision of financial information (including choice of the accounting policy, application of new rules and evaluation of their impact on our performance, interaction with internal and external auditors, etc.);
(iii) monitoring the compliance of our activities with the recommendations of internal and external auditors;
(iv) interaction with external auditors, including control of the auditor's independence, their remuneration and provision of any services outside the audit scope;
(v) our tax planning policy;
(vi) sources of our funding;
(vii) review of the annual budget and capital investments of the Group.

At least one of the committee members must be a financial expert as defined in the CSE Corporate Governance Code, and all committee members must be financially literate. Our Audit Committee satisfies these requirements.

Mr. Karen Arshakyan, a non-executive independent director of the Company acted as the Head of the Audit Committee and Mr. Karpenko continued as the second independent member of the Audit Committee.

AUDIT COMMITTEE MEETINGS

In 2021 the Audit Committee of Ovostar Union PCL held three (3) meetings.

16-Apr-2021 During the meeting the Audit Committee reviewed the auditing process for the year of 2020 and discussed the Group's Annual Report for 2020.

01-Jul-2021 Agenda of this meeting included discussion on 2021 audit process.

05-Nov-2021 During the meeting the Audit Committee discussed potential risks for the business and their possible impact on the Group's operations and results in the year of 2021.

REMUNERATION POLICY

On 16 July 2021, by a resolution of the General Meeting, the limit for the total accumulated amount of remunerating payable to the members of the Board of Directors of the company for the year 2021 was set at EUR 400 thousand.

SHAREHOLDERS MEETINGS
GENERAL MEETINGS

The Company shall in each year hold a general meeting as its annual general meeting. The annual general meeting shall be held at such time and place as the directors shall appoint, taking into account that place and date of a general meeting should be set so as to enable the participation of the highest possible number of members.

The directors may, whenever they think fit, convene an extraordinary general meeting in the same manner or in a manner as near as possible as that in which meetings may be convened by the directors.

NOTICE OF GENERAL MEETINGS

An annual general meeting shall be called by twenty-one days' notice at the least. The notice shall, specify the following:

(a) the proposed agenda for the meeting;

(b) the procedures in respect of the participation and voting in the meeting required to be complied with by the members entitled to attend and vote at the meeting, including:

(i) the right of the member to add items on the agenda of the general meeting, to table draft resolutions and to ask questions related to items on the agenda and the deadlines by which any of those rights may be exercised;

(ii) the right of a member which is entitled to attend, to speak, ask questions and vote, to appoint a proxy;

(c) the procedure for voting by proxy, including the forms to be used and the means by which the Company is prepared to accept electronic notification of the appointment of the proxy;

(e) the Record Date and that only the members registered as holders of shares conferring the right to attend and vote at the meeting, as at the close of business on the Record Date, shall be entitled to attend and vote at the meeting;

(f) where and how the full unabridged text of the documents to be submitted to the meeting may be obtained; and

(g) the internet site at which the information which is required to be provided to members as well as the resolutions (if any) proposed by members shall be made available, subject always to the provisions of the Law.

The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting, by any person entitled to receive notice, shall not invalidate the proceedings at that meeting.

SHAREHOLDERS MEETINGS
GENERAL MEETINGS

PROCEEDINGS AT GENERAL MEETINGS

All business shall be deemed special that is transacted at an extraordinary general meeting, and also all that is transacted at an annual general meeting, with the exception of declaring a dividend, the consideration of the accounts, balance sheets, and the reports of the directors and auditors, the election of directors in the place of those retiring, if any, and the appointment of, and the fixing of the remuneration of the auditors.

No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business. Three or more members present in person or by proxy and entitled to vote shall be a quorum.

All notices and other communication relating to any general meeting which every member is entitled to receive must also be sent to the auditors and the directors of the Company. The directors and auditors shall be entitled to attend and speak at any meeting of the members. One or more directors if necessary to answer questions asked at the general meeting participate in a general meeting.

The chairman, if any, of the board of directors shall preside as chairman at every general meeting of the Company.

At any general meeting any resolution put to the vote of the meeting shall be decided by poll.

VOTES OF MEMBERS

Every member shall have one vote for each share of which he is the holder. On a poll a member entitled to more than one vote need not use all of his votes or cast all the votes he uses in the same way

On a poll votes may be given either personally or by proxy and any member and any proxy appointed by a member shall have the right to cast all or some of the votes to which such member or proxy, as the case may be, is entitled in favour of and /or against the resolution in question and/or abstain from voting on the resolution in question in respect of all or some of his votes.

The chairman of a general meeting shall not have a second or casting vote.

GOVERNANCE & CONTROL
CORPORATE GOVERNANCE CODE

The objective of corporate governance is to develop tools supporting efficient management, effective supervision, respect for shareholders' rights, and transparent communications between companies and the market. As a public company that is domiciled in Cyprus and whose shares are admitted to trading on a regulated market in Poland, Ovostar Union PCL has undertaken to adhere to Cyprus Stock Exchange Corporate Governance Code and the Code of Best Practice for WSE Listed Companies.

CSE CORPORATE GOVERNANCE CODE

The Code as updated in 2019 replaces the Corporate Governance Code issued by the Cyprus Stock Exchange Council in March 2011 and is amended in September 2012.

The aim of the proposed regulations is to strengthen the monitoring role of the Board of Directors in listed companies, protect small shareholders, adopt greater transparency and provide timely information as well as sufficiently safeguard the independence of the Board of Directors in its decision-making.

The Code includes the following sections: A. BOARD OF DIRECTORS ; B. DIRECTORS' REMUNERATION; C. ACCOUNTABILITY AND AUDIT ;D. RELATIONSHIP WITH SHAREHOLDERS.

This Code proposes the establishment of three Committees of the Board of Directors, namely the Nomination Committee, the Remuneration Committee, the Audit Committee and the Risk Management Committee. When the Board of Directors of each company, given the particularities thereof, considers it expedient to establish more committees, it may proceed therewith. The terms of reference as well as the activities of each Committee of the Board of Directors should be included in the Annual Report on Corporate Governance. Annual Report on Corporate Governance Listed companies have an obligation to include in their Annual Report, a Report by the Board of Directors on Corporate Governance as follows: In the first part of the Report, the Company should report whether it complies with the Code and the extent to which it implements its principles. In the second part of the Report, the Company should confirm that it has complied with the Code provisions and in the event that it has not, should give adequate explanation.

STATEMENT ON COMPLIANCE WITH CSE CORPORATE GOVERNANCE CODE

The Company confirms that in 2021 it complied with most provisions of the Code, except Provision B.1.1. that requires a Remuneration Committee to be established. The Company undertakes to eliminate this discrepancy during 2022.

GOVERNANCE & CONTROL
CORPORATE GOVERNANCE CODE

WSE CORPORATE GOVERNANCE RULES
Companies listed on the Warsaw Stock Exchange are guided by the Rules. In 2016 the Best Practice for GPW Listed Companies was updated according to the European Commission Recommendation of 09 April 2014 on the quality of corporate governance reporting.

The "Best Practice for GPW Listed Companies 2016" and related regulations apply to issuers of shares admitted to trading on GPW's regulated market. The document is divided into thematic sections: Disclosure Policy, Investor Communications; Management Board, Supervisory Board; Internal Systems and Functions; General Meeting, Shareholder Relations; Conflict of Interest, Related Party Transactions; Remuneration.

Each section of the Best Practice opens with a general description of the goals to be pursued by listed companies through compliance with the provisions of the section. The recommendations that follow require the disclosure of compliance details in a statement of compliance with the corporate governance principles included in the issuer's annual report. The detailed provisions of the Best Practice follow the 'comply or explain' approach.
In line with the recommendations of the European Commission, within the limits of its powers, the Exchange will monitor the companies' compliance with the corporate governance regulations with a special emphasis on the quality of explanations published by companies according to the 'comply or explain' approach.

DEVIATIONS FROM THE WSE CORPORATE GOVERNANCE RULES
In 2021 the Company did not comply with the following requirements of the Code:

Best Practice Principle I.Z.1 - Currently we have no audio or video recording of a general meeting published at the company's website as all the information related to the general meeting is available in writing at our website.
Additionally, we have not published the internal rule of changing the company's auditor as the company strictly follows guidelines stated in the Directive 2014/56/EU the European Union that was adopted in April 2014 and enforced in June 2016.

Best Practice Principle II.Z.1 - Since we have a one-tier governance structure we have not published the chart describing the division of responsibilities among the BoDi because their areas of responsibility are provided in writing at the website.

In 2021 the new edition of Best Practice for GPW Listed Companies was issued hat issuers of shares listed on the WSE Main Market have been subject to since 2002 under the Stock Exchange Regulations. Similarly to the previous versions of the Best Practice, developed by the experts comprising the Corporate Governance Committee, DPSN2021 takes into account the current legal status and the latest trends in corporate governance, as well as responds to the postulates of market participants interested in increasingly better corporate governance in listed companies. Compared to the "Best Practice of WSE Listed Companies 2016", the current editorial has been shortened and simplified. The accessible and concise language and clear structure of DPSN2021 are intended to make it easier for issuers and investors to interpret the principles correctly, facilitating the widest application and formulating the best possible explanations. Additional support in this regard is provided by guidance on the application of the Good Practice, edited and updated by the Corporate Governance Committee based on questions raised and practical issues arising on an ongoing basis. The guidance prepared in the Q&A format will help understand the intentions of the authors of the Best Practice in formulating specific principles and will indicate to issuers and investors what conditions must be met to deem a given principle applicable.

NON-FINANCIAL INFORMATION DISCLOSURE

According to the Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 we as a public entity with more than 500 employees are obliged to make the appropriate disclosure, providing information on the environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters and the way they are dealt with.

The information provided in this statement is based on the Company's (our) Code of Conduct (Annex 2.5 to the Corporate Governance Rules available in writing at our website.

Environmental matters

The Company is committed to conducting its operations in an environmentally sound and sustainable manner. To achieve protection of the health and safety of employees, customers and the public, the Company has established procedures and compliance programs to ensure the minimum adverse impact on the environment. Such procedures and programs are periodically being reviewed and appraised.

Social and employee matters

The Company recruits, employs and promotes employees on the sole basis of their qualifications and abilities (including reputation and reliability). The Company endeavors to enable each individual to develop his or her talents in various ways (including, when appropriate, through training programs).

The Company considers safe and healthy working conditions for its employees to be fundamental. The Company believes that good communication with employees is essential.

Respect for human rights

People are the key to success of any business, and this is not different with respect to the Company. The Company recognizes that Corporate Social Responsibility is an integral part of its business practice and strategy. The Company is therefore committed to running its business to ethical, legal and professional standards.
We respect human rights as an absolute and universal standard. In countries where the Company operates, human rights of our employees are supported as appropriate in accordance with what reasonably can be expected from a similar commercial organization.

Furthermore, the Company refrains from discrimination on any basis. As a result of the above, respect for people forms a cornerstone of our Company Values.

NON-FINANCIAL INFORMATION DISCLOSURE

ANTI-CORRUPTION AND BRIBERY MATTERS

In dealing with customers and suppliers, which may include governmental bodies, the Company expects its managers and employees neither to give nor to receive bribes or anything of value in order to retain or bestow business or financial advantages. The employees of the Company are directed that any demand for or offer of such bribe or anything of value must be immediately rejected.

Accepting business entertainment and providing reasonable business entertainment in the course of the Company's business is acceptable.

The Company does not participate in party politics or makes payments to political parties or to the funds of groups whose activities are directed at promoting a party's political interests.

When dealing with governments or governmental agencies the Company is encouraged to promote and defend its legitimate commercial objectives. The Company may do so directly or through bodies such as trade associations.

The Company is encouraged to respond to requests from governments and other agencies for legitimate and relevant information, observations or opinions on issues relevant to its business and to participate in the development of proposed legislation or regulations in areas which may have an effect on its legitimate interests.

....
Borys Bielikov
Chief Executive Officer,
Executive Director

....
Vitalii Veresenko
Chairman of the Board,
Non-executive Director

....
Karen Arshakyan
Head of Audit Committee,
Non-executive Director

....
Vitalii Sapozhnik
Chief Financial Officer

FINANCIAL STATEMENTS

STATEMENT OF DIRECTORS RESPONSIBILITY

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view of the financial position of Ovostar Union Public Company Limited (the "Company") and its subsidiaries (the "Group") as of 31 December 2021 and of the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

Statement of the Members of the Board of Directors

Members of the Board of Directors of Ovostar Union Public Company Limited in accordance with Subsection (3c) and (7) of the Section (9) of the Law providing for transparency requirements in relation to information about issuers whose shares are admitted to trading on a regulated market (L.190 (I)/2007 - "Transparency Law") herewith confirms that to the best of their knowledge:

a) The present annual consolidated financial statements
   (i) have been prepared in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and in compliance with the requirements set forth in Subsection (4) of the Section (9) of the Transparency Law , and

   (ii) give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and the undertakings included in the consolidated accounts taken as a whole, and

(b) The Management report includes a fair review of the development and performance of the business and the position of the Group included in the consolidated accounts as a whole, together with a description of the principal risks and uncertainties that they face.

01 July 2022

Borys Bielikov
Chief Executive Officer,
Executive Director

Vitalii Veresenko
Chairman of the Board,
Non-executive Director

Karen Arshakyan
Head of Audit Committee,
Non-executive Director

Vitalii Sapozhnik
Chief Financial Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021
(in USD thousand, unless otherwise stated)

	Note	12 months ended 31 December 2021	12 months ended 31 December 2020
Revenue from contracts with customers	8	133 366	98 907
Changes in fair value of biological assets	17	(8 529)	(3 742)
Cost of sales	9	(111 223)	(81 747)
Gross profit		**13 614**	**13 418**
Other operating income	12	565	2 346
Selling and distribution costs	10	(8 296)	(7 621)
Administrative expenses	11	(3 656)	(3 625)
Other operating expenses	13	(1 000)	(476)
Operating profit		**1 227**	**4 042**
Finance costs	14	(380)	(1 320)
Finance income	15	786	58
Profit before tax		**1 633**	**2 780**
Income tax expense	16	22	(188)
Profit for the period		**1 655**	**2 592**
Other comprehensive income			
Exchange differences on translation to presentation currency		3 836	(19 140)
Other comprehensive income for the period, net of tax		**3 836**	**(19 140)**
Total comprehensive income for the period, net of tax		**5 491**	**(16 548)**
Profit for the period attributable to:			
Equity holders of the parent company		1 690	2 702
Non-controlling interests		(35)	(110)
Total profit for the period		**1 655**	**2 592**
Other comprehensive income attributable to:			
Equity holders of the parent company		4 042	(18 848)
Non-controlling interests		(206)	(292)
Total other comprehensive income		**3 836**	**(19 140)**
Other comprehensive income attributable to:			
Equity holders of the parent company		5 732	(16 146)
Non-controlling interests		(241)	(402)
Total comprehensive income		**5 491**	**(16 548)**
Earnings per share:			
Equity holders of the parent company		6 000 000	6 000 000
Basic and diluted, profit for the period attributable to ordinary equity holders of the parent (USD per share)		0,28	0,45

Borys Bielikov
Chief Executive Officer,
Executive Director

Vitalii Veresenko
Chairman of the Board,
Non-executive Director

Karen Arshakyan
Head of Audit Committee,
Non-executive Director

Vitalii Sapozhnik
Chief Financial Officer

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2021
(in USD thousand, unless otherwise stated)

	Note	31 December 2021	31 December 2020
Assets			
Non-current assets			
Biological assets	17	45 079	40 234
Property, plant and equipment and intangible assets	18	46 383	47 943
Deferred tax assets	16	28	11
Other non-current assets	19	-	21
Total non-current assets		**91 490**	**88 209**
Current assets			
Inventories	20	13 022	13 216
Biological assets	17	15 459	11 138
Trade and other receivables	21	15 471	15 865
Prepayments to suppliers	22	3 114	1 233
Prepayments for income tax	23	28	27
Cash and cash equivalents	24	2 435	1 626
Total current assets		**49 529**	**43 105**
Total assets		**141 019**	**131 314**
Equity and liabilities			
Equity			
Issued capital	25	68	74
Share premium		30 933	30 933
Foreign currency translation reserve		(125 912)	(129 954)
Retained earnings		202 633	199 931
Result for the period		1 690	2 702
Equity attributable to equity holders of the parent		**109 412**	**103 686**
Non-controlling interests	7	477	718
Total equity		**109 889**	**104 404**
Non-current liabilities			
Interest-bearing loans and other financial liabilities	26	7 141	5 172
Deferred tax liability	16	334	311
Total non-current liabilities		**7 475**	**5 483**
Current liabilities			
Trade and other payables	27	14 391	12 379
Deferred income	12	2 981	3 149
Advances received	28	543	306
Interest-bearing loans and other financial liabilities	26	5 740	5 593
Total current liabilities		**23 655**	**21 427**
Total liabilities		**31 130**	**26 910**
Total equity and liabilities		**141 019**	**131 314**

Borys Bielikov
Chief Executive Officer,
Executive Director

Vitalii Veresenko
Chairman of the Board,
Non-executive Director

Karen Arshakyan
Head of Audit Committee,
Non-executive Director

Vitalii Sapozhnik
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021
(in USD thousand, unless otherwise stated)

	Issued capital	Share premium	Foreign currency translation reserve	Retained earnings	Result for the period	Total	Non-controlling interests	Total equity
As at 31 December 2019	**78**	**30 933**	**(111 110)**	**219 945**	**(20 014)**	**119 832**	**1 120**	**120 952**
Profit for the period	-	-	-	-	2 702	2 702	(110)	2 592
Other comprehensive income	-	-	(18 848)	-	-	(18 848)	(292)	(19 140)
Total comprehensive income	**-**	**-**	**(18 848)**	**-**	**2 702**	**(16 146)**	**(402)**	**(16 548)**
Allocation of prior period result	-	-	-	(20 014)	20 014	-	-	-
Dividends	-	-	-	-	-	-	-	-
Exchange differences	(4)	-	4	-	-	-	-	-
As at 31 December 2020	**74**	**30 933**	**(129 954)**	**199 931**	**2 702**	**103 686**	**718**	**104 404**
Profit for the period	-	-	-	-	1 690	1 690	(35)	1 655
Other comprehensive income	-	-	4 036	-	-	4 036	(206)	3 830
Acquisition of a subsidiary								
Total comprehensive income	**-**	**-**	**4 036**	**-**	**1 690**	**5 726**	**(241)**	**5 485**
Allocation of prior period result	-	-	-	2 702	(2 702)	-	-	-
Dividends	-	-	-	-	-	-	-	-
Exchange differences	(6)	-	6	-	-	-	-	-
As at 31 December 2021	**68**	**30 933**	**(125 912)**	**202 633**	**1 690**	**109 412**	**477**	**109 889**

Borys Bielikov
Chief Executive Officer,
Executive Director

Vitalii Veresenko
Chairman of the Board,
Non-executive Director

Karen Arshakyan
Head of Audit Committee,
Non-executive Director

Vitalii Sapozhnik
Chief Financial Officer

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2021
(in USD thousand, unless otherwise stated)

	Note	12 months ended 31 December 2021	12 months ended 31 December 2020
Operating activities			
Profit before tax		1 633	2 780
Non-cash adjustment to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment and amortisation of intangible assets	9, 10	4 449	3 911
Net change in fair value of biological assets	17	8 529	3 742
Disposal of property, plant and equipment		2	3
Disposal of biological assets		2 753	2 977
Finance income		(786)	(58)
Finance costs		380	1 320
Recovery of assets previously written-off	12	(29)	20
Government subsidies	12	(283)	(254)
Impairment of property, plant and equipment		227	
Impairment of doubtful accounts receivable and prepayments to suppliers	10	703	373
Working capital adjustments:			
Decrease in trade and other receivables		(174)	2 762
Decrease/(Increase) in prepayments to suppliers		(1 910)	1 143
Decrease in other non-current assets		14	152
Decrease/(Increase) in inventories		535	(2 579)
(Increase) in trade and other payables and advances received		2 164	(1 216)
Cash generated from operating activities		**18 207**	**15 076**
Income tax paid		(5)	(55)
Net cash flows from operating activities		**18 202**	**15 021**
Investing activities			
Purchase of property, plant and equipment		(1 690)	(2 476)
Increase in biological assets	17	(18 561)	(15 569)
Government subsidies			826
Net cash flows used in investing activities		**(20 251)**	**(17 219)**
Financing activities			
Proceeds from borrowings		4 730	4 419
Repayment of borrowings		(1 880)	(4 936)
Interest received		10	58
Interest paid		(243)	(292)
Net cash flows used in financing activities		**2 617**	**(751)**
Net (decrease)/increase in cash and cash equivalents		**568**	**(2 949)**
Effect from translation into presentation currency		241	97
Cash and cash equivalents at 01 January		**1 626**	**4 478**
Cash and cash equivalents at 31 December		**2 435**	**1 626**

For translating results and financial position into a presentation currency, the Group applies IAS 21 "The Effects of Changes in Foreign Exchange Rates". Procedures and rules applied by the Group are specified in Note 2.3.

....
Borys Bielikov
Chief Executive Officer,
Executive Director

....
Vitalii Veresenko
Chairman of the Board,
Non-executive Director

....
Karen Arshakyan
Head of Audit Committee,
Non-executive Director

....
Vitalii Sapozhnik
Chief Financial Officer

1. Corporate information

Ovostar Union Public Company Limited (referred to herein as the "Company") is a limited liability company incorporated on 22 March 2011 in Amsterdam under the laws of the Netherlands. Following resolution of the Extraordinary Meeting of Shareholders held in Amsterdam on 30 August 2018 the Company was redomiciled to Cyprus and on 29 November 2018 was registered with the Register of Companies of the Republic of Cyprus as a company continuing in the Republic of Cyprus. As of 31 March 2021 the Company's registered address is 22 Ierotheou Street, Strovolos, Nicosia 2028, Cyprus.

Principal activities of the Group include egg production, distribution, egg products manufacturing and production of related products. The largest shareholder of the Company is Prime One Capital Ltd., a Cyprus based company whose principal activity is the holding of ownership interests in its subsidiary and strategic management.

The Group operates through a number of subsidiaries in Ukraine, Latvia, United Arab Emirates and British Virgin Islands (the list of the subsidiaries is disclosed in Note 7) and has a concentration of its business in Ukraine, where its production facilities are located. Subsidiary companies are registered under the laws of Ukraine, British Virgin Islands, Latvia and United Arab Emirates. The registered address and principal place of business of the subsidiary companies in Ukraine is 34 Petropavlivska Street, Kyiv, Ukraine.

Information on other related party relationships of the Group is provided in Note 29.

Total number of employees were presented as follows:

	31 December 2021	**31 December 2020**
Production personnel	1 354	1 353
Administrative personnel	170	190
Total	**1 524**	**1 543**

The Group is controlled by the Beneficial Owners – Mr. Borys Bielikov and Mr. Vitalii Veresenko (hereinafter, the "Beneficial Owners")

The consolidated financial statements for the year ended 31 December 2021 were authorized by the Board of Directors on 01 July 2022.

2. Basis of preparation

2.1. Statement of compliance and basis of measurement

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS EU" hereinafter).

The companies of the Group maintain their accounting records under Ukrainian Accounting Standards ("UAS" hereinafter). UAS principles and procedures may differ from those generally accepted under IFRS EU. Accordingly, the consolidated financial statements, which have been prepared from the Group entities' UAS records, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS EU.

The consolidated financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date.

Items	Measurement bases
Biological assets	*Fair value less costs to sell*

Details of the Group accounting policies are included in Note 5.

2.2. Going concern basis

On February 24, 2022, russian troops launched a military invasion of Ukraine, which led to a full-scale war on the territory of the Ukrainian state. Focusing on the continuity and sustainability of its business and maintaining value for all stakeholders, the Group has focused on such key areas as the safety of its employees and the food security of the country, giving priority to the uninterrupted supply of the population of Ukraine with egg products.

Having examined the existing and potential implications of the war for the Ukraine located businesses, the management of the Group have identified several points of specific concern that require careful analysis and assessment. They include, but are not limited to, the following:

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

The Group places top priority on the personnel's health and safety issues. All possible action has been taken to minimize the existing threats and support the staff during this dramatic period. The HR department on a daily basis keeps record of the location of each employee to make sure that everyone is in a safe place. All administrative staff has been granted the option to work remotely. The Group closely monitors the needs of the team and promptly reacts to them within the limits of its capabilities. Forty men from the Group's staff were called up to the military service.

The Group's management continue to fulfill their duties without interruptions.

The Group fully complies with all sanctions rules and regulations regarding Russia and Belarus, including those introduced or published by various countries and organizations. In addition, the Group refrains from contacting individuals or entities on the sanctions list. In this situation, the Group does not expect any impact on the supply chain and payment flow.

The currently known impacts of the War on the Group are:

- the Group's major production facilities are located in Kyiv region, in Fastivskyi and Bilotserkivskyi districts, where no severe hostilities took place. The poultry houses in Vasilkiv and Stavyshche, as well as the egg-processing factory in Vasilkiv, remain physically undamaged and keep operating;
- The egg-processing factory in Makariv (Buchanskiy district) had been temporarily shut down until the city was de- occupied by the Ukrainian military forces in the end of March. The subsequent inspection of the factory showed signs of critical damages to buildings not involved in the manufacturing process (storages for waste and used packing materials; an idle production facility, while main production facilities are intact and operating, administrative building sustained minor surficial damage. The management expect to put the factory back in operation once the repairing works of the premises are completed. The estimated cost of damage is USD 92 thousand;
- the supporting facilities accommodating hatchery, poultry houses for parent flock and young layers have not been affected and are being used in accordance with the technological process;
- all Group inventory is in good condition and in safe storage;
- the Group has historically relied on the suppliers located in the central part of Ukraine, which implies efficient logistics and reasonably prompt deliveries to the production sites. Major contractors have not been affected by the hostilities and continue to fulfill their contractual obligations;
- the military action had no critical impact on the local distribution. The main distribution channel for the egg segment is the large national retail chains. Geographically the sales are concentrated in the central part of the country. The share of sales in the most affected regions does not exceed 10%;
- export sales reduced significantly. Since the start of the military campaign, the Group faced significant obstacles to export activities due to the serious disruptions in logistics. In particular, seizure of Odessa port operations cut access to the Middle East markets, where the commodities were shipped by sea. Overland deliveries to the EU countries resumed in early April after the specific license had been issued to the company. Also on June, the Decision of the European Union on the abolition of duties on Ukrainian goods for a year came into force (see note 30)
- the Group's production companies depend on imports in terms of certain feed mix supplements, vaccines, spare parts of production equipment. These items are included in the list of “critical imported goods” (as defined in the Cabinet of Ministers of Ukraine's Resolution No. 153 dated 24 February 2022) and there are no restrictions for their delivery to Ukraine. The management also take steps to select adequate substitutes in the local market;
- as of date of this report there are no signs of material deterioration of the payment discipline. The Group has sufficient recourses to meet its contractual obligations. Interest bearing liabilities towards the banks are served timely.

The Group has taken the following actions in response to the current situation:

- optimized utilization of production facilities to meet domestic demand and export orders;
- the group has enough inventory for the production and sale of its products, as well as human resources in the foreseeable future;
- selling, general and administrative and other operating expenses, as well as CAPEX, have been reduced tothe
- minimum required to meet the primary needs of the Group's core business;
- the Directors have decided not to declare a final dividend for the 2021 financial year;
- The loss of the market in the east and south of the country is expected to be offset by increased demand in central and western Ukraine, where a large number of internally displaced persons temporarily reside;
- The prescheduled repayments of main debt have been planned to be rescheduled to a later dates based on mutual agreements with the banks.

- as of date of this report the companies of the Group had unutilized fully collateralized credit facilities in total amount of USD 5 000 thousand available on demand. One of the reasons for non-drawing of which is the reduction in lending to Ukrainian borrowers.

There is a risk of breach of financial covenants under the loan agreement with the OTP for year ended December 31, 2022, based on negative financial results for February-April 2022. In the event of such a breach of the OTP's financial covenants, the borrower is entitled to demand early repayment of the loan. Management plans to ask the OTP to provide a letter Weaver to ease its commitment to enforce financial covenants by 2022. The amount of cash flow, which ensures the absence of liquidity gaps, depends significantly on the OTP's intention not to require early repayment.

Management has prepared and reviewed, together with the directors, updated financial projections, including cash flow projections, taking into account the most likely and possible negative scenarios for the continued impact of the war on the business.

These forecasts were based on the following key assumptions:

- management will be able to use the cash from the approved credit lines to finance operations.
- the further development of the war and the military invasion of Ukraine will allow the use of most of the Group's production capacity;
- the Group will be able to purchase a sufficient amount of agricultural products for poultry feed;
- remaining road logistic routes will continue to be available;
- Egg production for 2022 will be 1.452 million (1,691 million in 2021);

Despite the existing uncertainties arising from the future development of the military invasion, the management believes the above described analysis gives grounds to state that during at least 12 months after the date of the present report the Group will be able to realize its assets and discharge its liabilities in the normal course of business, thus going concern assumption is applied to the financial statements for the year ended 31 December 2021.

2.3. Functional and presentation currency

The functional currency of the Company is U.S. dollar (USD). The consolidated financial statements are presented in the Company's functional currency, that is, U.S. dollar (USD). The operating subsidiaries have Ukrainian Hryvnia (UAH) as their functional currency. All values are rounded to the nearest thousands, except when otherwise is indicated.

The USD has been selected as the presentation currency for the Group as: (a) management of the Group manages business risks and exposures, and measures the performance of its businesses in the USD; (b) the USD is widely used as a presentation currency of companies engaged primarily in agricultural; and (c) the USD is the most convenient presentation currency for non-Ukrainian users of these IFRS consolidated financial statements.

The Group translates its results and financial position into the presentation currency as follows:

- assets and liabilities, as well as the issued capital, for each statement of financial position presented (i.e. including comparatives) shall be translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income or separate income statement presented (i.e. including comparatives) shall be translated at exchange rates at the dates of the transactions; and
- all resulting exchange differences shall be recognized in other comprehensive income.

During 2020 and 2019, the exchange rate had significant fluctuations. Consistent with IAS 21, if exchange rates fluctuate significantly, the use of the average rate for a period is inappropriate. Considering significant depreciation of Ukrainian currency against major foreign currencies and seasonality of sales, Management of the Group decided to translate income and expense items at average quarterly rates. On consolidation, the assets and liabilities of the subsidiaries are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average quarterly rates, unless the exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in "Other comprehensive income" and accumulated in the "Foreign currency translation reserve".

Relevant exchange rates are presented as follows:

	Closing rate as at 31 December 2021	Closing rate as at 31 December 2020
USD/UAH	27.2782	28.2746
EUR/UAH	30.9226	34.7396
USD/PLN	4.0447	3.7230
USD/EUR	0.8815	0.8153

	Average rate for the 1st quarter 2021	Average rate for the 2d quarter 2021	Average rate for the 3d quarter 2021	Average rate for the 4th quarter 2021
USD/UAH	27.9694	27.5910	26.9110	26.6806
EUR/UAH	33.7569	33.2332	31.7388	30.5167
USD/PLN	3.7675	3.7582	3.8700	4.0367
USD/EUR	0.8296	0.8300	0.8481	0.8744

	Average rate for the 1st quarter 2020	Average rate for the 2d quarter 2020	Average rate for the 3d quarter 2020	Average rate for the 4th quarter 2020
USD/UAH	25.0525	26.9143	27.5996	28.2678
EUR/UAH	27.6154	29.6028	32.2429	33.6965
USD/PLN	3.9226	4.1000	3.7995	3.7740
USD/EUR	0.9069	0.9087	0.8557	0.8386

3. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

4. Use of estimates and assumptions

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, due to uncertainty about these estimates, actual results recorded in future periods may differ from such estimates.

These consolidated financial statements include management's estimates regarding the value of assets, liabilities, revenues, expenses, and recognized contractual obligations. These estimates mainly include:

4.1. Impairment of property, plant and equipment

In accordance with IAS 36 "Impairment of Assets" the Group reviews the carrying amount of non-current tangible assets (mainly property, plant and equipment) to identify signs of impairment of these assets.

If there is an indication that an asset may be impaired, the Group uses a model of strategic planning in order to calculate the discounted cash flows (using the "value in use" method, as defined in IAS 36) and, thus, assess the recoverability of the carrying amount of property, plant and equipment. The model was based on budgets and forecasts approved by the management for the next 5 years.

Expected future cash flows reflect long-term production plans formed on the basis of past experience and market expectations. The plans take into account all relevant characteristics of poultry farming, including egg production, volume of egg processing, prices for main components of mixed fodder. Thus, the production capacity is the basis for forecasting the future production volume for each subsequent year and related production costs.

Levels of costs included in projected cash flows are based on current long-term production plans. When conducting impairment testing, recent levels of costs are taken into account, as well as the expected cost changes based on the current condition of operating activities and in accordance with the requirements of IAS 36. IAS 36 provides a number of restrictions on future cash flows, which may be recognized in respect of future restructuring and capital modernization expenses.

Below are the key assumptions that formed the basis for forecasting future cash flows in the models:

- prices for main components of mixed fodder are based on internal forecasts of the Group's management;
- production data (production of eggs, safety of livestock, meat production volume, production of egg products) based on internal forecasts of the Group's management from past experience;
- selling prices for eggs, egg products and poultry meat are based on forecasts of the Group's management and market expectations.

Management believes that calculations of the recoverable amount are most sensitive to changes in such assumptions as the price of poultry meat, price of eggs and eggs product, price of poultry fodder and production data. Management believes that any reasonably possible change in key assumptions on which the recoverable amount of the Group is based will not cause the excess of carrying amount of the Group over its recoverable amount.

Application of IAS 36 requires extensive judgments by the management regarding estimates and assumptions related to future cash flows and discount rate. Given the nature of the current global economic environment, such assumptions and estimates have a high degree of uncertainty. Therefore, other similar assumptions may lead to significantly different results.

4.2. Fair value of biological assets

Estimation of fair value of biological assets is based on the discounted cash flow model. The fair value of biological assets might be affected by the fact that the actual future cash flows will differ from the current forecast, which typically occurs as a result of significant changes in any factors or assumptions used in the calculations.

Among such factors are:

- differences between actual prices and price assumptions used in estimating net realizable value of eggs;
- changes in productivity of laying hens;
- unforeseen operational problems inherent in the branch specificity;
- age of hens at the end of the reporting period;
- changes in production costs, costs of processing and products sales, discount and inflation rates and exchange rates that could adversely affect the fair value of biological assets.

The key assumptions concerning biological assets based on discounted cash flow approach are presented as follows:

- cost planning at each stage of poultry farming will remain constant in future periods;
- egg production volume will not be significantly changed;
- egg sale price in future periods;
- long-term inflation rate of Ukrainian UAH in future periods;

discount rate for determining the present value of future cash flows expected from the biological assets (Note 17).

Management determined that calculations of the fair value of biological assets are the most sensitive to changes in such assumptions as the volume of egg production, cost planning and prices of eggs, eggs product and poultry meat. Management believes that any reasonably possible change in key assumptions will not cause any significant change in the fair value of biological assets.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Although some of these assumptions are obtained from published market data, the majority of these assumptions are estimated based on the Group’s historical and projected results.

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in Notes 17, 32.

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.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability.

  Or

- In the absence of a principal market, in the most advantageous market for the asset or liability.

4.3. Expected credit losses

Financial assets of the Group that are subject to IFRS 9's expected credit loss model are represented by trade receivables. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables and contract assets. Cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

4.4. Useful lives of property, plant and equipment

The Group estimates useful lives of property, plant and equipment at least at the end of each financial year and, if expectations differ from previous estimates, changes are recorded as changes in accounting estimates in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". These estimates can have a significant impact on the carrying amount of property, plant and equipment and depreciation expenses during the period.

4.5. Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that the inflow of taxable profit is possible, at the expense of which these losses may be implemented. Significant judgments are required from the management in determining the amount of deferred tax assets that can be recognized on the basis of the possible terms of receipt and the level of future taxable profit together with the future tax planning strategy.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1. Recognition and measurement of financial instruments

Financial instruments: key measurement terms

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. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows:

- Level one: Measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level two: Valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and
- Level three: Valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortized cost is the amount at which the financial instrument was recognized at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortization of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortized discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortized over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Financial instruments: initial recognition

Financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognized for financial assets measured at amortized cost and investments in debt instruments measured at fair value through other comprehensive income, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognized when the entity becomes a party to the contractual provisions of the instrument.

The Group uses discounted cash flow valuation techniques to determine the fair value of loans to related parties that are not traded in an active market. Differences may arise between the fair value at initial recognition, which is considered to be the transaction price, and the amount determined at initial recognition using a valuation technique with level 3 inputs. If any differences remain after calibration of model inputs, such differences are amortized on a straight-line basis over the term of the currency swaps, loans to related parties. The differences are immediately recognized in profit or loss if the valuation uses only level 1 or level 2 inputs.

5.2. Financial assets

Financial assets: Classification and subsequent measurement: measurement categories

The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on:

i. the Group's business model for managing the related assets portfolio and
ii. the cash flow characteristics of the asset.

As at 31 December 2020 and 31 December 2019 the Group did not hold financial assets at FVOCI.

Financial assets: Classification and subsequent measurement: business model

The business model reflects how the Group manages the assets in order to generate cash flows - whether the Group's objective is:

i. solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows") or
ii. to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated.

Financial assets: Classification and subsequent measurement: cash flow characteristics

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

The Group holds the trade receivables with the objective to collect contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. Details about the Group's impairment policies and the expected credit loss measurement are provided in Note 31.

Financial assets: Reclassification

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The entity did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets: Credit loss allowance for ECL

The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Group measures ECL and recognizes Net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects:

- an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes,
- time value of money and
- all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Financial assets of the Group that are subject to IFRS 9's new expected credit loss model are represented by trade receivables. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables and contract assets. Cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Financial assets: Write-off

Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. Indicators that there is no reasonable expectation of recovery include:

- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty.

The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets: Derecognition

The Group derecognizes financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Financial assets: Modification

The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognizes the original financial asset and recognizes a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognized and fair value of the new substantially modified asset is recognized in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognizes a modification gain or loss in profit or loss.

5.3. Effective interest rate method

The effective interest rate method is used to calculate the amortized cost of a financial asset and distribute interest income during the relevant period. The effective interest rate is the rate that enables discounting of estimated future cash receipts through the expected life of a financial asset or a shorter period, if applicable.

Revenues relating to debt instruments are recorded using the effective interest rate method, except for financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss - a financial asset is classified as at fair value through profit or loss if it is held for trading or designated at fair value through profit or loss.

5.4. Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash in bank accounts and deposits with an original maturity date of three months or less and are stated at fair value.

5.5. Cash deposits

Cash deposits in the statement of financial position are held for the investment activities. For the purpose of the consolidated statement of cash flows, short-term deposits are included in the investing activities.

5.6. Impairment of financial assets

Financial assets, except for financial assets at fair value through profit or loss, at each reporting date are assessed for signs indicating impairment. Impairment loss is recognized when there is objective evidence of reduction of the estimated future cash flows on this asset as a result of one or more events that occurred after the financial asset was recorded in the accounting. For financial assets at amortized cost, the amount of impairment is calculated as the difference between the asset's carrying amount and present value of the expected future cash flows discounted using the effective interest rate.

Impairment loss directly reduces the carrying amount of all financial assets, except for accounts receivable on principal activities, carrying amount of which is reduced due to the allowance formed. If the accounts receivable on principal activities are uncollectible, they are written-off against the related allowance. Subsequently received reimbursements of amounts previously written-off are recorded in credit of the allowance account. Changes in the carrying amount of the allowance account are recorded in the profit and loss.

Except for equity instruments available for sale, if in a subsequent period the amount of impairment loss decreases and such decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss previously recognized is recovered by adjusting the items in the income statement. In this case, the carrying amount of financial investments at the date of recovery of impairment cannot exceed its amortized cost, which would be reflected in the case, if impairment was not recognized.

In respect of equity securities available for sale, any increase in fair value after recognition of impairment loss relates directly to equity.

5.7. Writing-off of financial assets

The Group writes-off a financial asset only if rights for cash flows under the corresponding contract terminated the treaty or if a financial asset and corresponding risks and rewards are transferred to other organization. If the Group does not transfer or retain all the principal risks and rewards of ownership of the asset and continues to control the transferred asset, it shall record its share in the asset and related liability in the amount of possible payment of corresponding amounts. If the Group retains all the principal risks and rewards of ownership of the transferred financial asset, it shall continue to account for the financial asset, and reflect a secured loan on income earned.

5.8. Financial liabilities and equity instruments issued by the Group

5.8.1. Accounting as liabilities or equity

Debt and equity financial instruments are classified as liabilities or equity based on the substance of the corresponding contractual obligations.

5.8.2. Equity instruments

Equity instrument is any contract confirming the right for a share in the company's assets remaining after deduction of all its liabilities. Equity instruments issued by the Group are recorded in the amount of generated income net of direct expenses for their issue.

5.8.3. Liabilities under financial guarantee contracts

Liabilities under financial guarantee contracts are initially measured at fair value and subsequently recorded at the higher of:

- cost of contractual obligations determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", and
- cost, less, where applicable, accumulated depreciation reflected in accordance with the principles of revenue recognition set forth below.

5.8.4. Financial liabilities

Financial liabilities - measurement categories

Financial liabilities are classified as subsequently measured at amortized cost, except for (i) financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognized by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments. As of 31 December 2020 and 31 December 2019 the Group did not have financial guarantee contracts and loan commitments or financial liabilities at fair value through profit or loss.

Financial liabilities - derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

5.8.5. Trade and other accounts payable

Trade payables are recognized when the counterparty fulfills its contractual obligations and measured at amortized cost using the effective interest rate.

5.8.6. Loans and borrowings

Loans and borrowings are initially recognized at fair value less costs incurred in the transaction. Subsequently, loans and borrowings are stated at amortized cost; any difference between proceeds (net of transaction costs) and the amount of repayment is reflected in the income statement over the period for which loans and borrowings are issued using the effective interest rate method. Loans and borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the obligation to at least one year after the date of balance sheet preparation.

5.8.7. Writing-off of financial liabilities

The Group writes-off financial liabilities only when they are repaid, cancelled or expire.

5.9. Foreign currency transactions

Transactions in currencies other than the functional currency are initially recorded at exchange rates set on the dates of these transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates applicable at the reporting date. All realized and unrealized gains and losses resulting from exchange rate differences are included in profit or loss for the period.

5.10. Biological assets

Biological assets represented by the commercial herd and herd replacements are recorded at fair value less estimated selling and distribution expenses. Estimate of fair value of biological assets of the Group is based on discounted cash flow models, according to which the fair value of biological assets is calculated using present value of the expected net cash flows from biological assets discounted at the appropriate rate.

The Group recognizes a biological asset only where it controls an asset as a result of past events; it is probable that the economic benefits from the asset will flow to the Group; fair value or cost of an asset can be estimated with reasonable certainty.

Profit or loss arising on initial recognition of biological assets at fair value less estimated selling and distribution expenses is included in the consolidated income statement as incurred.

Agricultural products collected from a biological asset are measured at fair value less estimated selling and distribution expenses. Profit or loss arising on initial recognition of agricultural products at fair value, less estimated selling and distribution expenses, is recognized in the consolidated statement of comprehensive income.

5.11. Inventories

Inventories consist mainly of raw materials, package and packing materials, agricultural produce and finished goods. Inventories are valued at the lower of cost and net realisable value.

Cost of goods includes the cost of acquisition and, where appropriate, costs incurred in bringing inventories to their present condition and location. Cost is calculated using the weighted average method. Initial cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges, recognised in OCI, in respect to the purchases of raw materials.

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

5.12. Property, plant and equipment

Property, plant and equipment are recorded at historical cost or deemed cost, equal to fair value at the date of transition to IFRS, less accumulated depreciation and accumulated impairment losses. Historical cost of an asset of property, plant and equipment includes (a) the purchase price, including non-recoverable import duties and taxes net of trade and other discounts; (b) any costs directly related to bringing an asset to the location and condition, which allow its functioning in accordance with the intentions of the Group's management; (c) initial assessment of the costs of dismantling and removal in the asset of property, plant and equipment and restoring the occupied territory; this obligation is assumed by the Group either upon the acquisition of an asset, or as a result of its operation for a certain period of time for the purposes not related to the production of inventories during this period. Cost of assets created in-house includes cost of materials, direct labor costs and an appropriate proportion of production overheads.

Construction in progress includes costs directly related to the construction of property, plant and equipment, including distribution of variable overheads associated with the construction and prepayments for the property, plant and equipment. Construction in progress is not depreciated. These assets are depreciated from the moment when they are used in economic activity, on the same basis as depreciation on other assets.

Subsequently capitalised costs include major expenditures for improvements and replacements that extend the useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalisation are charged to the consolidated statement of comprehensive income as incurred.

Depreciable amount is the cost of an asset of property, plant and equipment, or any other amount, less its residual value. The residual value of an asset is the estimated amount that the company would receive to date from the sale of an item of property, plant and equipment, less estimated costs of disposal if the asset reached the age and condition, in which, presumably, it will be at the end of its useful life. Assets under finance lease are depreciated over the shorter of estimated useful life on the same basis as own assets or over the period of the relevant lease.

Depreciation is provided to write-off the depreciable amount over the useful life of an asset and is calculated using the straight-line method. Useful lives of the groups of property, plant and equipment are as follows:

Buildings	10 - 40 years
Plant and equipment	5 - 25 years
Vehicles	3 - 10 years
Furniture and fittings	3 - 5 years
Construction in progress and uninstalled equipment	No depreciation

The residual value, useful life and depreciation method are reviewed at the end of each financial year. Impact of any changes arising from estimates made in prior periods is recorded as a change in an accounting estimate.

Gains or losses arising from disposal or liquidation of an asset of property, plant and equipment, are defined as the difference between sales proceeds and carrying amount of an asset and recognized in profit or loss.

5.13. Impairment of property, plant and equipment

At the end of each reporting period the Group identifies signs of possible impairment of assets. If any such indication exists, the Group reviews the carrying amount of its items of property, plant and equipment to determine whether any signs of impairment exist due to depreciation. If any such indication exists, the expected recoverable amount of an asset is estimated to determine the amount of impairment losses, if any.

In order to determine the impairment losses, assets are grouped at the lowest levels for which it is possible to identify separately the cash flows (cash generating unit).

The recoverable amount is the higher of fair value less selling and distribution expenses and value of an asset in use. In assessing the value of an asset in use, the estimated future cash flows associated with the asset, are discounted to their present value using pre-tax discount rate that reflects current market estimates of time value of money and the risks inherent in the asset.

If, according to the estimates, the recoverable amount of an asset (cash generating unit) is less than its carrying amount, the carrying amount of an asset (cash generating unit) is reduced to the recoverable amount. An impairment loss is recognized immediately in the income statement, except when the asset is recorded at a revalued amount. In this case the impairment loss is considered as a revaluation decrease.

In cases where impairment losses are subsequently reversed, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of recovery amount, however, in such a way that the increased carrying amount does not exceed the carrying amount that would be determined, if an impairment loss was not recognized in respect of an asset (cash generating unit) in previous years. Reversal of impairment loss is recognized immediately in the income statement, except when the asset is recorded at a revalued amount. In this case, the reversal of an impairment loss is considered as a revaluation increase.

5.14. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets are not capitalized and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Amortization is calculated on a straight line basis over the useful life of an asset, which is 10 years.

5.15. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

5.16. Leases

A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability. The depreciation would usually be on a straight-line basis. In the statement of cash flows, a lessee separates the total amount of cash paid into principal (presented within financing activities) and interest (presented within either operating or financing activities) in accordance with IAS 7.

Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The initial lease asset equals the lease liability in most cases.

The lease asset is the right to use the underlying asset and is presented in the statement of financial position either as part of property, plant and equipment or as its own line item.

5.17. Contingent assets and liabilities

Contingent liabilities are not recognized in the consolidated financial statements. Such liabilities are disclosed in the notes to the consolidated financial statements, except where the probability of outflow of resources embodying economic benefits is insignificant.

Contingent assets are not recognized in the consolidated financial statements, but disclosed in the notes to the extent that it is probable that the economic benefits will flow to the Group.

5.18. 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 can be made of the obligation amount.

The amount recognized as a provision is the best estimate of compensation necessary to repay a current liability on the reporting date, which takes into account all the risks and uncertainties inherent in this liability. In cases where the amount of provision is estimated using cash flows that can be required to repay current liabilities, its carrying amount represents the present value of these cash flows.

Where there is a possibility that one or all of the economic benefits necessary to recover the amount of provision will be reimbursed by a third party, the receivables are recognized as an asset if there is actual assurance that such reimbursement will be received and the amount of receivables can be measured reliably.

5.19. Revenue recognition

Revenue is income arising in the course of the Group's ordinary activities. Revenue is recognized in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties.

Revenue is recognized net of discounts, returns and value added taxes, export duties, other similar mandatory payments.

Group's contracts with customers are fixed-price contracts and generally include both advance payment and deferred payment for the same contracts. Generally, the sales are made with a credit term of 30-60 days, which is consistent with the market practice and consequently trade receivables are classified as current assets.

A receivable is recognized when the goods are delivered or dispatched based on delivery terms as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due (Note 21). Contract assets are immaterial and therefore not presented separately in the consolidated financial statements.

A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration from the customer.

The five-step model framework

The core principle of IFRS 15 is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when (or as) the entity satisfies a performance obligation.

Application of this guidance will depend on the facts and circumstances present in a contract with a customer and will require the exercise of judgment.

Step 1: Identify the contract with the customer

A contract with a customer are exists when:

- the contract has been approved by the parties to the contract;
- each party's rights in relation to the goods or services to be transferred can be identified;
- the payment terms for the goods or services to be transferred can be identified;
- the contract has commercial substance; and
- it is probable that the consideration to which the entity is entitled to in exchange for the goods or services will be collected.

If a contract with a customer does not yet meet all of the above criteria, the Group continues as to re-assess the contract going forward to determine whether it subsequently meets the above criteria.

Step 2: Identify the performance obligations in the contract

At the inception of the contract, the Group assess as the goods or services that have been promised to the customer, and identify as a performance obligation:

- a good or service (or bundle of goods or services) that is distinct;
- or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

Step 3: Determine the transaction price

The transaction price is the amount to which the Group expects to be entitled in exchange for the transfer of goods and services. When making this determination, the Group considers past customary business practices.

Step 4: Allocate the transaction price to the performance obligations in the contracts

Where a contract has multiple performance obligations, the Group will allocate the transaction price to the performance obligations in the contract by reference to their relative standalone selling prices. If a standalone selling price is not directly observable, the Group will need to estimate it using an adjusted market assessment approach or the expected cost plus a margin approach.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Revenue is recognized as control is passed, either over time or at a point in time.

Control of an asset is defined as the ability to direct the use of and obtain substantially all of the remaining benefits from the asset. These include:

- using the asset to produce goods or provide services;
- using the asset to enhance the value of other assets;
- using the asset to settle liabilities or to reduce expenses;
- selling or exchanging the asset;
- pledging the asset to secure a loan; and
- holding the asset.

The benefits related to the asset are the potential cash flows that may be obtained directly or indirectly.

5.20. Income tax

Income tax is calculated in accordance with the requirements of the applicable legislation of Ukraine. Income tax is calculated on the basis of financial results for the year adjusted to items that are not included in taxable income or that cannot be attributed to gross expenses. It is calculated using tax rates effective at the reporting date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used to calculate taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recorded taking into account the degree of certainty in sufficient taxable income, which enables to realize temporary differences related to gross expenses.

Deferred tax is calculated at tax rates, which presumably will be applied during the sale of related assets or repayment of related liabilities.

Assets and liabilities on deferred income tax are offset when: a) the Group has a legally enforceable right to offset the recognized current income tax assets and liabilities; b) the Group intends either to perform settlement by offsetting counterclaims, or simultaneously sell the asset and settle the liability; c) deferred tax assets and liabilities relate to income taxes levied by the same taxation authority in each future period in which it is intended to repay or reimburse a significant amount of deferred tax liabilities and assets.

Deferred income tax is recognized in the income statement, except when it relates to items recognized directly in equity. In this case the deferred tax is also recognized in equity.

In 2021, Ukrainian corporate income tax was levied at a rate of 18% (2020: 18%).

The majority of the Group companies that are involved in agricultural production (poultry farms and other entities engaged in agricultural production) benefit substantially from the status of an agricultural producer. These companies are exempt from income taxes and pay the Fixed Agricultural Tax instead (Note 16).

5.21. Value Added Tax

For the year ended 31 December 2021 and 2020, VAT was levied at two rates: 20% on Ukrainian domestic sales and imports of goods, works and services and 0% on export of goods and provision of works or services to be used outside Ukraine. In 2020 VAT rate remains at the same level.

VAT output equals the total amount of VAT collected within a reporting period, and arises on the earlier of the date of shipping goods to the customer or the date of receiving payment from the customer. VAT input is the amount that a taxpayer is entitled to offset against his VAT liability in the reporting period. According to Ukrainian legislation, rights to VAT input arise on the earlier of the date of payment to the supplier or the date goods are received.

5.22. Government grants

Government grants are stated at fair value when there is reasonable assurance that the grant will be received.

Ukrainian legislation provides a variety of tax benefits and subsidies for agricultural companies. Such benefits and subsidies are approved by the Supreme Council of Ukraine, the Ministry of Agrarian Policy, Ministry of Finance, local authorities. Under the applicable legislation, agricultural producers are entitled to use VAT benefit regarding agricultural transactions.

Government grants related to VAT

Upon introduction of a new agricultural support system in early 2017, Ukraine canceled specific VAT subsidies.

Early in 2016, under this program, the Group’s companies are subject to special tax treatment for VAT (Note 12.b). The Group’s enterprises, which qualify as agricultural producers, are entitled to retain the net VAT payable. VAT amounts payable are not transferred to the State, but credited to the entity’s separate special account to support the agriculture activities of the Group. Net result on VAT operations, calculated as excess of VAT liability over VAT credit is charged to profit or loss. VAT receivable exceeding VAT liability is used as a reduction in tax liabilities of the next period.

In 2017, the State Budget for agricultural support envisages that support automatically distributed among agricultural producers proportionally based on sales of agricultural products by those producers on a monthly basis. The budget subsidy for a sector is calculated on a monthly basis and is proportional to overall VAT paid. According to the Law of Ukraine On Agricultural Support, all agricultural producers that apply for the subsidy must be included in the State Registry of Budget Subsidy Recipients. An agricultural producer is defined as a farm or a company that derived 75% of its sales over the last 12 reporting periods (months) from sales of agricultural products. From 2017 onwards, budget subsidies will be provided until 1 January 2022. The agricultural producers will be engaged in the production of farm animals, as well as fruit and vegetable farmers. For each agricultural producer, the amount of the subsidy is not to exceed the amount of VAT tax paid by the producers, and will be distributed on a monthly basis (Note 12.a).

Government grants are recognised as income over the periods necessary to match them with the related costs, or as an offset against finance costs when received as compensation for the finance costs for agricultural producers. To the extent the conditions attached to the grants are not met at the reporting date, the received funds are recorded in the Group’s consolidated financial statements as deferred income.

Other government grants are recognised at the moment when the decision to disburse the amounts to the Group is made.

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

5.23. Partial compensation of interest rates on loans raised by the agricultural companies from financial institutions

The Group companies are entitled to compensation from the government of a share of interest expenses incurred on loans which were received for agricultural purposes. The amount of interest compensation depends on the term and purpose of the loan. Due to the fact that the payment of interest compensations depends on the capabilities of the country's budget, they are recognized on a cash basis as other operating income in the period of receipt.

5.24. Related party transactions

For the purposes of these consolidated financial statements, the parties are considered to be related if one of the parties has a possibility to control or considerably influence the operational and financial decisions of the other company. While considering any relation which can be defined as related party transactions it is necessary to take into consideration the substance of the transaction not only their legal form.

5.25. Reclassification

Certain comparative information presented in the consolidated financial statements for the year ended 31 December 2020 has been revised in order to achieve comparability with the presentation used in the consolidated financial statements for the year ended 31 December 2020. Such reclassifications and revisions were not significant to the Group`s consolidated financial statements.

6. New and amended standards

The following amended standards became effective from 1 January 2021, but did not have any material impact on the Group:

- Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued
- on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).
- Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021).

New and amended standards and interpretations adopted

Below is a list of new standards, clarifications and amendments that result in new disclosure requirements for future reporting periods:

IFRS	*Effective date:*
IFRS 17 Insurance Contracts (including amendments to IFRS 17 issued in June 2020 and amendments to IFRS 17 Initial Adoption of IFRS 17 and IFRS 9 – comparative information released in December 2021)	Applicable to annual reporting periods beginning on or after 1 January 2023. Not yet endorsed for use in the EU.
Amendments to IFRS 4 - Application of IFRS 9 Financial Instruments together with IFRS 4 Insurance Contracts (including amendments to IFRS 4 - Extension of the temporary exemption from the application of IFRS (IFRS) 9" issued in June 2020)	Annual reporting periods beginning on or after 1 January 2023. Not yet endorsed for use in the EU.
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 23 January 2020 and 15 July 2020 respectively)	Annual reporting periods beginning on or after 1 January 2023. Not yet endorsed for use in the EU.
Amendments to IAS 37 – Onerous Contracts – Costs to Perform a Contract (issued on 14 May 2020)	Annual reporting periods beginning on or after 1 January 2022.
Amendments to IAS 16 - Property, Plant and Equipment: proceeds before Use for the Intended Use (issued on 14 May 2020)	Annual reporting periods beginning on or after 1 January 2022.
Annual Improvements to IFRS 2018-2020 Period: Amendments to IFRS 1 First-Time Adoption of International Financial Reporting Standards – First-Time Adopter of International Financial Reporting Standards (issued on 14 May 2020)	Annual reporting periods beginning on or after 1 January 2022.
Annual Improvements to IFRS 2018-2020 Period: Amendments to IFRS 9 Financial Instruments – Fee for the 10% test to derecognise financial liabilities (issued on 14 May 2020)	Annual reporting periods beginning on or after 1 January 2022.
Annual Improvements to IFRS 2018-2020 Period: Amendments to IAS 41 Agriculture – Taxation in Fair Value Measurement (issued on 14 May 2020)	Annual reporting periods beginning on or after 1 January 2022.
Amendments to IFRS 3 – "References to the Conceptual Framework" (issued on 14 May 2020)	Annual reporting periods beginning on or after 1 January 2022.
Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021)	Annual reporting periods beginning on or after 1 January 2023.
Amendments to IAS 1 Presentation of Financial Statements and ***IFRS Practice Statement 2:*** Disclosure of Accounting policies (issued on 12 February 2021)	Annual reporting periods beginning on or after 1 January 2023
Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021)	Annual reporting periods beginning on or after 1 January 2023

The management expects that the above standards, when effective, will not have a material effect on the consolidated financial statements of the Group in future periods.

7. Subsidiaries and Non-controlling interests

As at 31 December 2021 and 2020 the Group included the following subsidiaries:

Name of the company	Business activities	31 December 2021	31 December 2020
Limited Liability Company "Ovostar Union"	Strategic management of subsidiary companies in Ukraine	100.0%	100.0%
Limited Liability Company "Ovostar"	Egg-products production and distribution (Ukraine)	100.0%	100.0%
Limited Liability Company "Yasensvit"	Breeder farms, production of hatching eggs, farms for growing young laying flock and for laying flock, production and distribution of shell eggs, poultry feed production (Ukraine)	100.0%	100.0%
Public Joint Stock Company "Poultry Farm Ukraine"	Production of shell eggs, assets holding (Ukraine)	92.0%	92.0%
Public Joint Stock Company "Malynove"	Production of shell eggs, assets holding (Ukraine)	94.0%	94.0%
Public Joint Stock Company "Krushynskyy Poultry Complex"	Trading company, egg trading – non operational activity (Ukraine)	76.0%	76.0%
Limited Liability Company "Skybynskyy Fodder Plant"	In the process of liquidation (Ukraine)	98.6%	98.6%
"SIA" Ovostar Europe"	Trade company (Latvia)	89.0%	89.0%
SIA "Gallusman"	Production of shell eggs (Latvia)	89.0%	89.0%
SIA "EPEX"	Egg-products production (Latvia)	89.0%	89.0%
International Food Trade Limited	Trade company (British Virgin Islands)	100.0%	100.0%
OAE Food Trade FZE	Trade company (United Arab Emirates)	100.0%	100.0%
Limited Liability Company "BVV EQUIPMENT"	Non-operational activity (Ukraine)	0.0%	100.0%
Limited Liability Company "BV TRADING"	Non-operational activity (Ukraine)	0.0%	100.0%
*REMEDIUM FOODS B.V.	Egg processing, distribution of egg products	50.00%	50.00%

The following tables summarize the information relating to each of the Group`s subsidiaries that has material NCI, before any intra -group elimination:

31 December 2021	**PJSC “Poultry Farm Ukraine”**	**PJSC “Malynove”**	**PJSC “Krushynskyy Poultry Complex”**	**"SIA" Ovostar Europe"**	**SIA "Gallusman"**	**SIA "EPEX"**		**Total**
NCI percentage	**8,0%**	**6,0%**	**24,0%**	**11,0%**	**11,0%**	**11,0%**		
Non-current assets	621	14 562	1	36	372	62		
Current assets	5 571	13 554	543	3 633	57	261		
Non-current liabilities	-	-	-	-	-	-	-	
Current liabilities	(3 095)	(27 346)	(7)	(3 670)	(48)	(308)		
Net assets	**3 097**	**770**	**537**	**(1)**	**381**	**15**		
Carrying amount of NCI	262	44	127	-	42	2		477
Revenue	2 601	10 756	-	24 532	2	419		
Profit (loss)	738	(4 856)	430	293	380	29		
OCI	(2 063)	(248)	(435)	1 191	(413)	(1)		
Total comprehensive income	**(1 325)**	**(5 104)**	**(5)**	**1 484**	**(33)**	**28**		
Profit allocated to NCI	63	(276)	102	32	42	2		(35)
OCI allocated to NCI	(175)	(14)	(103)	131	(45)		-	(206)
Cash flows from operating activities	1	18	-	(85)	(42)	(11)		
Cash flows from investment activities	-	(18)	-	(32)	-		-	
Effect from translation into presenta- tion currency	-	-	-	(22)	(2)		-	
Net (decrease)/ increase in cash and cash equivalents	1	-	-	(139)	(44)	(11)		

31 December 2020	**PJSC “Poultry Farm Ukraine”**	**PJSC “Malynove”**	**PJSC “Krushynskyy Poultry Complex”**	**"SIA" Ovostar Europe"**	**SIA "Gallusman"**	**SIA "EPEX"**		**Total**
NCI percentage	**8,0%**	**6,0%**	**24,0%**	**11,0%**	**11,0%**	**11,0%**		
Non-current assets	534	20 302	-	9	365	56		
Current assets	3 587	5 034	533	5 515	114	108		
Non-current liabilities	-	-	-	-	-		-	
Current liabilities	(515)	(20 001)	(6)	(6 077)	(69)	(174)		
Net assets	**3 606**	**5 335**	**527**	**(553)**	**410**	**(10)**		
Carrying amount of NCI	288	320	127	(61)	45	(1)		718
Revenue	2 376	8 276	-	25 968	2	88		
Profit (loss)	70	(1 953)	(4)	3	21	(5)		
OCI	(870)	(1 148)	(110)	(1 178)	34	(1)		
Total comprehensive income	**(800)**	**(3 101)**	**(114)**	**(1 175)**	**55**	**(6)**		
Profit allocated to NCI	7	(117)	(1)	-	2	(1)		(110)
OCI allocated to NCI	(71)	(69)	(26)	(130)	4		-	(292)
Cash flows from operating activities	2	1	-	(280)	-		-	
Cash flows from investment activities	-	-	-	(9)	(11)		-	
Effect from translation into presenta- tion currency	-	-	-	18	16		-	
Net (decrease)/ increase in cash and cash equivalents	1	-	-	(271)	5		-	

8. Segment information

All of the Group's operations are located within Ukraine.

Segment information is analyzed on the basis of the types of goods supplied by the Group's operating divisions. The Group's reportable segments under IFRS 8 are therefore as follows:

Egg operations segment	sales of egg
	sales of chicken meat
Egg products operations segment	sales of egg processing products
Oilseed operations segment	sales of sunflower oil, rapeseed oil and related products

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 5. Sales between segments are mainly carried out at market prices. Operating profit before tax represents segment result. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments:

All assets are allocated to reportable segments.

All liabilities are allocated to reportable segments.

The following table presents revenue, results of operations and certain assets and liabilities information regarding segments for the year ended 31 December 2021 and 2020:

12 months ended 31 December 2021	**Operations segment**		
	Egg	**Egg products**	**Consolidated**
Revenue	155 320	54 964	210 284
Inter-segment revenue	(63 170)	(13 748)	(76 918)
Revenue from external buyers	**92 150**	**41 216**	**133 366**
Profit(Loss) before tax	**4 513**	**(2 880)**	**1 633**

12 months ended 31 December 2020	**Operations segment**		
	Egg	**Egg products**	**Consolidated**
Revenue	125 272	45 242	170 514
Inter-segment revenue	(56 479)	(15 128)	(71 607)
Revenue from external buyers	**68 793**	**30 114**	**98 907**
Profit(Loss) before tax	**1 248**	**1 532**	**2 780**

In 2021 and 2020 no sales were settled by barter transactions.

Segment assets, liabilities and other information regarding segments as at 31 December 2021 and 2020 were presented as follows:

31 December 2021	Operations segment		Total
	Egg	Egg products	
Total segment assets	**124 768**	**16 251**	**141 019**
Total segment liabilities	**30 749**	**381**	**31 130**
Addition to property, plant and equipment and intangible assets	398	153	551
Net change in fair value of biological assets and agricultural produce	(8 529)	-	(8 529)
Depreciation and amortization	(3 787)	(662)	(4 449)
Interest income	6	4	10
Interest on debts and borrowings	(380)	-	(380)
Income tax expense	(44)	66	22

31 December 2020	Operations segment		Total
	Egg	Egg products	
Total segment assets	**113 728**	**17 586**	**131 314**
Total segment liabilities	**26 418**	**492**	**26 910**
Addition to property, plant and equipment and intangible assets	2 181	583	2 764
Net change in fair value of biological assets and agricultural produce	(3 742)	-	(3 742)
Depreciation and amortization	(3 468)	(443)	(3 911)
Interest income	33	9	42
Interest on debts and borrowings	(449)	-	(449)
Income tax expense	(76)	(112)	(188)

The Group presented disaggregated revenue based on the type of goods or services provided to customers and the geographical region of goods and services. Entities will need to make this determination based on entity-specific and/or industry-specific factors that would be most meaningful to their business.

The Group presented a reconciliation of the disaggregated revenue with the revenue information disclosed for each reportable segment.

Set out below is the disaggregation of the Group's revenue from contracts with customers:

12 months ended 31 December 2021	Operations segment		Total
	Egg	Egg products	
Type of goods or service			
Goods	92 077	41 161	**133 238**
Services	73	55	**128**
Total revenue from contracts with customers	**92 150**	**41 216**	**133 366**
Geographical markets			
Ukraine	71 463	24 179	**95 642**
Middle East	12 026	4 862	**16 888**
European Union	3 854	9 658	**13 512**
CIS	-	73	**73**
Africa	152	711	**863**
Other	4 655	1 733	**6 388**
Total revenue from contracts with customers	**92 150**	**41 216**	**133 366**

Revenue from external buyers divided by geographic location (continued)

12 months ended 31 December 2020	Operations segment		Total
	Egg	Egg products	
Type of goods or service			
Goods	68 395	29 985	**98 380**
Services	398	129	**527**
Total revenue from contracts with customers	**68 793**	**30 114**	**98 907**
Geographical markets			
Ukraine	46 071	13 032	**59 103**
Middle East	15 621	3 231	**18 852**
European Union	4 347	11 365	**15 712**
CIS	358	22	**380**
Africa	2	714	**716**
Other	2 394	1 750	**4 144**
Total revenue from contracts with customers	**68 793**	**30 114**	**98 907**

9. Cost of sales

	12 months ended 31 December 2021	12 months ended 31 December 2020
Costs of inventories recognised as an expense	(87 971)	(60 639)
Packaging costs	(9 525)	(7 489)
Cost of goods purchased for resale	(274)	(622)
Wages, salaries and social security costs	(7 886)	(7 722)
Amortisation, depreciation and impairment	(4 088)	(3 466)
Other expenses	(1 479)	(1 809)
Total	**(111 223)**	**(81 747)**

10. Selling and distribution costs

	12 months ended 31 December 2021	12 months ended 31 December 2020
Transportation expenses	(5 302)	(4 987)
Wages, salaries and social security costs	(1 290)	(1 031)
Cost of materials	(999)	(590)
Marketing and advertising expenses	(94)	(143)
Amortisation, depreciation and impairment	(102)	(94)
Other expenses	(509)	(776)
Total	**(8 296)**	**(7 621)**

11. Administrative expenses

	12 months ended 31 December 2021	12 months ended 31 December 2020
Wages, salaries and social security costs	(1 475)	(1 352)
Legal, audit and other professional fees	(557)	(425)
Service charge expenses	(886)	(964)
Cost of materials	(262)	(177)
Amortisation, depreciation and impairment	(259)	(351)
Other expenses	(217)	(356)
Total	**(3 656)**	**(3 625)**

12. Other operating income

	Note	12 months ended 31 December 2021	12 months ended 31 December 2020
Income from refund under the special legislation:			
Government subsidies	a)	283	254
Total income from refund under the special legislation		**283**	**254**
Gain on recovery of assets previously written off	b)	29	20
Insurance compensation		17	1 805
Gain on disposal of other current assets		19	-
Other income		217	267
Total		**565**	**2 346**

Recovery of assets previously written-off mainly represents amounts of inventory surplus identified in the reporting period during the stock-taking and recovery of amounts previously recognized as doubtful.

a) Government subsidies

On 7 February 2018, the Cabinet of Ministers of Ukraine approved the procedure to obtain livestock sector state support. During the year ended 31 December 2021, the Group received government grants in accordance to the compensation program for construction and reconstruction of livestock farms in an amount of USD 0 thousand (2020: USD 826 thousand). Government grants are presented in the statement of the financial position as deferred income, which is recognised in profit or loss on a systematic basis over the useful life of the related assets.

The unamortized portion of the government subsidies as of 31 December 2021 is USD 2 189 thousand (31 December 2020: USD 3 149 thousand).

b) Insurance compensation

In July 2020 the Company has received insurance recovery in amount of USD 1 805 thousand for the loss of fixed assets destroyed in the fire accident in August 2019.

13. Other operating expenses

	12 months ended 31 December 2021	12 months ended 31 December 2020
Writing off fixed assets	-	(25)
Impairment of doubtful accounts receivable and prepayments to suppliers	(930)	(373)
Loss on disposal of property plant and equipment	(2)	(3)
Fines and penalties	(21)	(20)
Other expenses	(47)	(55)
Total	**(1 000)**	**(476)**

14. Finance cost

	12 months ended 31 December 2021	12 months ended 31 December 2020
Interest on debts and borrowings	(380)	(449)
Interest on financial lease	-	-
Foreign currency exchange loss	-	(871)
Total	**(380)**	**(1 320)**

15. Finance income

	12 months ended 31 December 2021	12 months ended 31 December 2020
Interest income	10	42
Foreign currency exchange profit	776	-
Other financial income	-	16
Total	**786**	**58**

16. Income tax

Companies of the Group that are involved in agricultural production pay the Fixed Agricultural Tax (the "FAT") in accordance with the applicable laws. The FAT is paid in lieu of corporate income tax, land tax, duties for geological survey works and duties for trade patents.

The FAT is calculated by local authorities and depends on the area and valuation of land occupied. This tax regime is valid indefinitely. FAT does not constitute an income tax, and as such, is recognized in the statement of comprehensive income in administrative expenses.

During the year ended 31 December 2021, the Group companies which have the status of the Corporate Income Tax (the "CIT") payers in Ukraine were subject to income tax at a 18% rate (31 December 2020: at a 18% rate). The deferred income tax assets and liabilities as of 31 December 2021 were measured based on the tax rates expected to be applied to the period when the temporary differences are expected to reverse.

The major components of income tax expense for the year ended 31 December 2021 and 2020 were:

	12 months ended 31 December 2021	12 months ended 31 December 2020
Current income tax	16	(52)
Deferred tax	6	(136)
Income tax (expense)/benefit reported in the income statement	**22**	**(188)**

	12 months ended 31 December 2021	12 months ended 31 December 2020
Accounting profit before income tax	**1 633**	**2 780**
At Ukraine's statutory income tax rate of 18% (2020: 18%)	294	500
Tax effect of:		
Income generated by FAT payers (exempt from income tax)	(34)	339
Current year losses for which no deferred tax asset was recognised at a rate of 0% (1)	(596)	477
Effect of expenses that are not deductible in determining taxable profit	325	(1 160)
Effect of translation to presentation currency	(11)	32
Income tax expense/(benefit)	**(22)**	**188**

Reconciliation between tax expense and the product of accounting profit multiplied by Ukraine's domestic tax rate for the years ended 31 December 2021 and 2020 was as follows:

(1) Current year (income)/losses for which no deferred tax asset was recognized relate to Ovostar Union Public Company Limited, the Cyprus company and International Food Trade Limited. The income tax rate in the BVI is 0%, Cyprus is 12.5%, Latvia is 0%.

Deferred tax

As at 31 December 2021 and 2020, deferred tax assets and liabilities comprised the following:

	31 December 2021	Recognized in statement of comprehensive income	Effect of translation into presentation currency	31 December 2020
Advances received and other payables	-	(7)	-	7
Prepayments to suppliers	22	20	-	2
Trade and other receivables	6	4	-	2
Inventories	-	-	-	-
Tax losses	1 389	819	20	550
Unrecognized deferred tax assets	(1 389)	(819)	(20)	(550)
Netted off against deferred tax assets	**28**	**17**	-	**11**
Property, plant and equipment and intangible assets	(318)	(6)	(11)	(301)
Trade and other receivables	-	-	-	-
Advances received and other payables	(16)	(5)	-	(11)
Netted off against deferred tax liabilities	**(334)**	**(11)**	**(11)**	**(312)**
Net deferred tax asset/(liability)	**(306)**	**6**	**(11)**	**(301)**

	31 December 2020	Recognized in statement of comprehensive income	Effect of translation into presentation currency	31 December 2019
Advances received and other payables	7	3	(1)	5
Prepayments to suppliers	2	(1)	(1)	4
Trade and other receivables	2	(5)	(2)	9
Inventories	-	(47)	(9)	56
Tax losses	550	-	(106)	656
Unrecognized deferred tax assets	(550)	-	106	(656)
Netted off against deferred tax assets	**11**	**(50)**	**(13)**	**74**
Property, plant and equipment and intangible assets	(301)	(87)	41	(255)
Trade and other receivables	-	1		(1)
Advances received and other payables	(11)	1	2	(14)
Netted off against deferred tax liabilities	**(312)**	**(85)**	**43**	**(270)**
Net deferred tax asset/(liability)	**(301)**	**(135)**	**30**	**(196)**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are presented in the consolidated statement of financial position as at 31 December 2021 and 2020:

	31 December 2021	31 December 2020
Non-current assets	28	11
Long term liabilities	(334)	(312)
Net deferred tax asset/(liability)	**(306)**	**(301)**

17. Biological assets

As at 31 December 2020 and 2019 commercial and replacement poultry were presented as follows:

	31 December 2021		31 December 2020	
	Number, thousand heads	Carrying value	Number, thousand heads	Carrying value
Non-current biological assets				
Replacement poultry				
Hy-line	4 260	45 079	4 381	40 234
Total non-current biological assets	**4 260**	**45 079**	**4 381**	**40 234**
Current biological assets				
Commercial poultry				
Hy-line	4 111	15 459	3 612	11 138
Total current biological assets	**4 111**	**15 459**	**3 612**	**11 138**
Total biological assets	**8 371**	**60 538**	**7 993**	**51 372**

Classification of biological assets into non-current and current component is based on the life cycle of a biological asset. Biological assets that will generate cash flow more than one year are classified as non-current biological assets, biological assets that will generate cash flow less than one year are classified as current biological assets.

Reconciliation of commercial and replacement poultry carrying values for the year ended 31 December 2021 and 2020 was presented as follows:

	2021	2020
As at 01 January	**51 372**	**50 759**
Increase in value as a result of assets acquisition	534	1 581
Increase in value as a result of capitalization of cost	18 026	13 988
Income/(Losses) from presentation of biological assets at fair value	(8 529)	(3 742)
Decrease in value as a result of assets disposal	(2 753)	(2 977)
Exchange differences	1 888	(8 237)
As at 31 December	**60 538**	**51 372**

For the year ended 31 December 2021 the Group produced shell eggs in the quantity of 1 691 mln (31 December 2020: 1 671 mln).

Fair value of biological assets was estimated by the Group's specialists which have experience in valuation of such assets. Fair value was calculated by discounting of expected net cash flow (in nominal measuring) at the moment of eggs produced, using corresponding discount rate which is equal to 16,91% (31 December 2020: 14.1%). Management supposes that sale price and production and distribution costs fluctuations will comply with forecasted index of consumer price in Ukraine. The major assumptions were performed on the basis of internal and external information and it reflected Management's assessment of the future agricultural prospect.

Biological assets of the Group are measured at fair value within Level 3 of the fair value hierarchy.

Based on the current situation in Ukraine that provides a high degree of uncertainty in relation to many of the assumptions in the biological assets revaluation model, and guided by the prudence concept, the Group used conservative approach for calculation of fair value of biological assets as at 31 December 2021.

Value measurement is a maximum value exposed to the following assumptions which were used in fair value calculations of biological assets (Based on the current situation in Ukraine):

	Assumption as at 31 December 2021	**Assumption as at 31 December 2020**
Eggs sale price, USD per item (UAH per item)	0,088 (2,40)	0.071 (2.02)
Discount rate, %	16,91%	14,10%
Long-term inflation rate of Ukrainian hrivnya, %	1,08	1,05
Maximum poultry life time, days	770	770

Changes in key assumptions that were used in fair value estimation of biological assets had the following influence on the value of biological assets as at 31 December 2021 and 2020:

	12 months ended 31 December 2021	**12 months ended 31 December 2020**
1% decrease in egg sale price	(1 386)	(1 197)
1% increase in egg sale price	1 386	1 197
1% increase in discount rate	(784)	(691)
1% decrease in discount rate	796	701
1% increase in long-term inflation rate of Ukrainian hrivnya	55	61
1% decrease in long-term inflation rate of Ukrainian hrivnya	(55)	(61)

18. Property, plant and equipment and intangible assets

	Buildings	Plant and equipment	Vehicles	Furniture and fittings	Construction-in-progress and uninstalled equipment	Intangible assets	Total
Cost or valuation							
As at 31 December 2019	**25 590**	**42 930**	**2 107**	**859**	**6 906**	**72**	**78 464**
Additions	636	1 248	-	24	839	1	**2 748**
Transfer	877	2 285	-	55	(3 217)	-	**-**
Disposals	(5)	(57)	(27)	(31)	(2)	-	**(122)**
Currency translation difference	(4 130)	(6 992)	(342)	(140)	(1 034)	(12)	**(12 650)**
As at 31 December 2020	**22 968**	**39 414**	**1 738**	**767**	**3 492**	**61**	**68 440**
Additions	109	699	49	229	707	7	**1 800**
Transfer	157	197	-	17	(371)	-	**-**
Disposals	-	(29)	(13)	(10)	-	-	**(52)**
Impairment assessment	-	-	-	-	(227)	-	**(227)**
Currency translation difference	803	1 417	61	28	(247)	3	**2 065**
As at 31 December 2021	**24 037**	**41 698**	**1 835**	**1 031**	**3 354**	**71**	**72 026**
Depreciation and amortization							
As at 31 December 2019	**(6 238)**	**(12 493)**	**(820)**	**(565)**	**-**	**(23)**	**(20 139)**
Charge for the year	(981)	(2 606)	(193)	(107)	-	(24)	**(3 911)**
Disposals	5	56	15	30	-	-	**106**
Currency translation difference	1 058	2 148	142	96	-	3	**3 447**
As at 31 December 2020	**(6 156)**	**(12 895)**	**(856)**	**(546)**	**-**	**(44)**	**(20 497)**
Charge for the year	(1 058)	(3 051)	(198)	(136)	-	(6)	**(4 449)**
Disposals	-	28	13	9	-	-	**50**
Currency translation difference	(225)	(469)	(32)	(19)	-	(2)	**(747)**
As at 31 December 2021	**(7 439)**	**(16 387)**	**(1 073)**	**(692)**	**-**	**(52)**	**(25 643)**
Net book value							
As at 31 December 2021	**16 598**	**25 311**	**762**	**339**	**3 354**	**19**	**46 383**
As at 31 December 2020	**16 812**	**26 519**	**882**	**221**	**3 492**	**17**	**47 943**
As at 31 December 2019	**19 352**	**30 437**	**1 287**	**294**	**6 906**	**49**	**58 325**

As at 31 December 2021 construction in progress and uninstalled equipment also included prepayments for the property, plant and equipment which amounted to USD 352 thousand (2020: USD 467 thousand).

The impairment of prepayments for fixed-assets as of 31 December 2021 amounts to USD 227 thousand.

As at 31 December 2021, included within property, plant and equipment were fully depreciated assets with the original cost of USD 4 474 thousand (2020: USD 3 821 thousand).

19. Other non-current assets

As of 31 December 2021 there were no loans included in Other non-current assets (USD 21 thousand as at 31 December 2020).

20. Inventories

	31 December 2021	31 December 2020
Raw materials	5 504	5 430
Agricultural produce and finished goods	2 263	3 945
Package and packing materials	2 398	1 682
Work in progress	1 343	821
Other inventories	1 533	1 357
(Less: impairment of agricultural produce and finished goods)	(19)	(19)
Total	**13 022**	**13 216**

21. Trade and other receivables

	31 December 2021	31 December 2020
Trade receivables	13 550	12 994
VAT for reimbursement	1 724	2 689
Other accounts receivable	347	443
Credit loss allowance	(150)	(261)
Total	**15 471**	**15 865**

Trade receivables from third parties are non-interest bearing and are generally on 30-90 days credit terms. For larger customers the Group grants credit for up to 45-180 days.

Trade and other receivables net of impairment loss provisions denominated in the following currencies:

	31 December 2021	31 December 2020
UAH	12 736	11 992
USD	1 191	1 661
EUR	1 544	2 212
Total	**15 471**	**15 865**

22. Prepayments to suppliers

As at 31 December 2021 prepayments to suppliers included prepayments for the goods and services amount to USD 3 114 thousand (2020: USD 1 233 thousand).

23. Prepayments for income tax

As at 31 December 2021 prepayments for income tax amount to USD 28 thousand (2020: USD 27 thousand).

24. Cash and cash equivalents

	31 December 2021	31 December 2020
Cash in banks	2 419	1 619
Cash on hand	16	7
Total	**2 435**	**1 626**

a) Cash in banks by country of bank location denominated in the following currencies:

	Currency	31 December 2021	31 December 2020
Ukraine	UAH	1 430	522
Ukraine	USD	83	119
Ukraine	EUR	447	379
Total in Ukraine		**1 960**	**1 020**
Cyprus	EUR	-	-
Total in Cyprus		**-**	**-**
Latvia	USD	107	51
Latvia	EUR	135	385
Total in Latvia		**242**	**436**
United Kingdom	USD	1	18
United Kingdom	EUR	7	-
United Kingdom	PLN	-	-
Total in United Kingdom		**8**	**18**
United Arab Emirates	AED	53	47
United Arab Emirates	USD	155	72
United Arab Emirates	EUR	1	26
Total in United Arab Emirates		**209**	**145**
Total cash in banks		**2 419**	**1 619**

25. Equity

Issued capital and capital distribution

For the year ended 31 December 2021 there were no changes in issued capital.

As referred to in Note 1, the Company was incorporated on 22 March 2011.

The Company's authorized share capital amounts to EUR 225 000 and consists of 22 500 000 ordinary shares with a nominal value off EUR 0.01 each. As at 31 December 2011, 6 000 000 ordinary shares were issued and fully paid. In June 2011 the shares of the Company were listed on the Warsaw Stock Exchange.

As at 31 December 2021 and 31 December 2020 the shareholder interest above 5% in the Share capital of Company was as follows:

	31 December 2020	31 December 2019
Prime One Capital Ltd.	67,93%	67,93%
Generali Otwarty Fundusz Emerytalny	10,93%	9,94%
FAIRFAX FINANCIAL Holdings Limited	10,39%	5,35%
AVIVA Otwarty Fundusz Emerytalny Aviva BZ WBK	5,02%	5,02%

Foreign currency translation reserve

The Company's share capital has been converted at the exchange rate prevailing at the reporting date. The EUR 60 000 (equivalent to 6 000 000 shares) as of 31 December 2021, has been converted into USD 68 052 (31 December 2020: USD 73 382). The result arising from exchange rate differences has been recorded in the “Foreign currency translation reserve”.

The foreign currency translation reserve is used also to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Share premium

As has been mentioned previously, in June 2011 the Group’s shares have been placed on WSE. As a result of the transaction, USD 33 048 thousand was raised while the IPO costs amounted to USD 2 115 thousand. In these financial statements funds raised as a result of IPO are reflected in share premium as at 31 December 2011. For the year ended 31 December 2021 and 2020, there were no movements in share premium.

26. Interest-bearing loans and other financial liabilities

	Currency	Effective interest rate, %	Maturity	31 December 2021	31 December 2020
Current interest-bearing loans and other financial liabili-					
AKA Ausfuhrkredit-Gesellschaft mbH	EUR	2.25%+ EURIBOR (6m)	30.06.22	607	2 556
UkrSibbank	EUR	2,65%	17.08.22	2 780	3 013
Prime One Capital Limited	EUR	3,00%	10.07.24	2 353	
Other current loans	UAH			-	24
Total current interest-bearing loans and other financial liabilities				**5 740**	**5 593**
Non-current interest-bearing loans and other financial liabilities					
OTP Bank	EUR	2,65%	02.10.24	7 141	2 703
Prime One Capital Limited	EUR	3,00%	10.07.24	-	2 469
Total non-current interest-bearing loans and other financial liabilities				**7 141**	**5 172**
Total interest-bearing loans and other financial liabilities				**12 881**	**10 765**

The Interest-bearing loans from AKA Ausfuhrkredit-Gesellschaft mbH has been covered of Euler Hermes AG.

Covenants

The Group's loan agreements contain a number of covenants and restrictions, which include, but are not limited to, financial ratios and other legal matters. Covenant breaches generally permit lenders to demand accelerated repayment of principal and interest.

As at 31 December 2021 and 2020 the Group was not in breach of any financial covenants which allow lenders to demand immediate repayment of loans.

Reconciliation of liabilities arising from financing activities.

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non–cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities:

	31 December 2020	Financing cash flow	Financial cash flow received	Increase (as a result of accruals and other)	Exchange differences	31 December 2021
Interest-bearing loans	10 777	(1 880)	4 730	-	(836)	12 791
Interest expenses	(40)	(243)	-	380	(7)	90
Other borrowings	28	-	-	(25)	(3)	-
Total	**10 765**	**(2 123)**	**4 730**	**355**	**(846)**	**12 881**

	31 December 2019	Financing cash flow	Financial cash flow received	Increase (as a result of accruals and other)	Exchange differences	31 December 2020
Interest-bearing loans	10 586	(4 936)	4 419	-	708	10 777
Interest expenses	(224)	(292)	-	449	27	(40)
Other borrowings	28	-	-	-	-	28
Total	**10 390**	**(5 228)**	**4 419**	**449**	**735**	**10 765**

27. Trade and other payables

	31 December 2021	31 December 2020
Trade payables	12 373	10 561
Employee benefit liability	600	540
Liability for unused vacation	863	797
Taxes payable	257	234
VAT liabilities	200	139
Income tax payables	-	21
Other payables	98	87
Total	**14 391**	**12 379**

28. Advances received

As at 31 December 2021 advances received amount to USD 543 thousand (2020: USD 306 thousand).

29. Related party disclosures

For the purposes of these consolidated financial statements, the parties are considered to be related, if one of the parties has the ability to exercise control over the other party or influence significantly the other party in making financial and operating decisions. Considering the transactions with each possible related party, particular attention is paid to the essence of relationships, not merely their legal form.

Related parties may enter into transactions, which may not always be available to unrelated parties, and they may be subject to such conditions and such amounts that are impossible in transactions with unrelated parties.

According to the criteria mentioned above, related parties of the Group are divided into the following categories:

(A). Key management personnel;

(B). Companies which activities are significantly influenced by the Beneficial Owners;

(C). Other related parties.

The following companies and individuals are considered to be the Group's related parties as at 31 December 2021 and 2020:

(A). Key management personnel

Key management personnel 2021:	Position:
Borys Bielikov	Executive Director / CEO
Vitalii Veresenko	Non-executive director
Sergii Karpenko	Non-executive director
Vitalii Sapozhnik	Chief Financial Officer
Arnis Veinbergs	Deputy CEO in charge of Production activity
Karen Arshakyan	Non-executive director
Yuliya Flyorova	Production director

Key management personnel 2020:	Position:
Borys Bielikov	Executive Director / CEO
Vitalii Veresenko	Non-executive director
Sergii Karpenko	Non-executive director
Vitalii Sapozhnik	Chief Financial Officer
Arnis Veinbergs	Deputy CEO in charge of Production activity
Karen Arshakyan	Non-executive director
Vitalii Voron	Production director

(B). Companies which activities are significantly influenced by the Key management personnel

Aleksa LTD LLC	2021/2020
Prime One Capital Limited	2021/2020

As at 31 December 2021 and 2020 trade accounts receivable from related parties and advances issued to related parties were presented as follows:

	31 December 2021	31 December 2020
Prepayments to related parties		
(B). Companies which activities are significantly influenced by the Beneficial Owners:		
Aleksa LTD LLC	47	43
Total	**47**	**43**

Debt with Prime One Capital Limited is disclosed in note 26

For the year ended 31 December 2021 and 2020 the transactions with related parties amounted to:

	31 December 2021	31 December 2020
(B). Companies which activities are significantly influenced by the Beneficial Owners:		
Interest on debts and borrowings:		
Prime One Capital Limited	71	41
General and administrative expenses:		
Aleksa LTD LLC	24	24
Total	**95**	**65**

Compensation of key management personnel of the Group

The amount of remuneration of key management personnel of the group for the year ended 31 December 2021, and 2020 was presented as follows:

	31 December 2021	31 December 2020
Salaries and contribution to social security fund (short-term employee benefits)		
Vitalii Voron	9	17
Vitalii Sapozhnik	17	16
Karen Arshakyan	24	22
Other key management personnel	266	246
Total	**316**	**301**

(C). Other related parties:

For the year ended 31 December 2021, and 2020 the Group has no other related parties.

30. Commitments and contingencies

Operating environment

All production facilities of the Company are located in Ukraine and its operations are highly dependent on the developments in this jurisdiction.

In 2021, Ukraine faced significant public debt repayments, which required mobilising substantial domestic and external financing in an increasingly challenging financing environment for emerging markets.

On February 24, 2022, Russian troops launched a military invasion of Ukraine, which led to a full-scale war on the territory of the Ukrainian state. The ongoing military attack has caused and continues to cause significant casualties, population displacement, infrastructure damage and disruption to economic activity in Ukraine Seaports and airports are closed and damaged. Export through seaports was completely frozen. The situation remains highly volatile and the outlook highly uncertain. The economic consequences are already very serious. As a result, the government has imposed martial law throughout the country, as well as other relevant emergency measures to stabilize markets and the economy, but the country is facing large budgetary and external financial deficits. The Ukrainian authorities continue to service their external debt obligations, and the country's payment system continues to operate, banks are open and mostly liquid. Most Ukrainian companies still pay taxes. At the time of reporting, the occupied territories of central Ukraine, where the production of the Ovostar Union group of companies is concentrated, were liberated from the invaders, but hostilities continue in the eastern and southern parts of Ukraine, and the entire territory is subjected to rocket attacks.

International organizations (IMF, EBRD, EU, World Bank), along with individual countries and charities, have provided Ukraine with financing, donations and material support. In total, international support has reached more than USD 15 billion. In view of the large-scale armed assault in Ukraine by Russian forces, the National Bank of Ukraine ('NBU') decided to postpone a decision on the discount rate, leaving it unchanged at 10% and, when the war started, moved to a fixed exchange rate of UAH 29.25 to the US Dollar. As a result, commercial interbank quotes remain close to the officially imposed by NBU. The NBU has also said that once the economy and financial system return to operation, it will revert to the traditional format of inflation targeting with a floating exchange rate.

Despite the current unstable situation, the banking system remains stable, with sufficient liquidity even as martial law continues, all banking services are available to its customers, both legal entities and individuals. In the face of the invasion, the Ukrainian government has imposed export restrictions for meat and livestock, rye, oats, millet, buckwheat, sugar and dietary salt. Furthermore, the Ukrainian Ministry of Economy will issue export permits for the group of products, subjected for licensing: wheat, chicken meat and eggs.

As of May 2022, the Verkhovna Rada of Ukraine has approved a package of amendments to taxation to support Ukrainian businesses during the war. The law establishes a special economic regime for the period of martial law. The key innovation is that all companies can now waive VAT and income tax (CIT) by switching to a 2% sales tax. Physically lost goods are not subject to VAT. VAT refunds for exporters are frozen. Private entrepreneurs (group 1 and group 2) are allowed to pay no taxes at all (and they are not required to pay a single social contribution for 1 year after the end of martial law). For automotive fuel, the excise tax is reset to zero, and the VAT rate is reduced from 20% to 7%. In addition, support for national military action is exempt from taxation.

According to the IMF, GDP growth was 3.2% in 2021 (from -7.2% in 2020), and is expected to fall by -35% in 2022 (for 2023, the IMF has so far refrained from forecasting).

Due to the war on the territory of Ukraine, the budget deficit in 2022 will increase to -17.8% of GDP (IMF).

Public debt fell significantly from 60.8% of GDP in 2020 to 51.1% of GDP in 2021, but is expected to increase significantly in 2022 (86.2% of GDP) and remain high in 2023 (78% of GDP) (IMF) . In 2021, the hryvnia appreciated by 3.5% against the US dollar (Ministry of Finance), but inflation rose to 10% in 2021 (from 5% in 2020) due to higher energy prices and other production costs for a wide range of goods and services. The IMF does not undertake to predict inflation in Ukraine for 2022.

On June 4, the Decision of the European Union on the abolition of duties on Ukrainian goods for a year came into force:

- duties on industrial products, suspension of the entry price system for fruits and vegetables and all tariff quotas for agricultural products;
- all anti-dumping duties on imports of goods originating from Ukraine and the application of global protective measures in relation to Ukrainian goods are suspended.

The liberalization of trade relations also implies that Ukraine will abide by European rules of origin and related procedures under the Association Agreement, will refrain from any new restrictions on imports from the EU, and will ensure respect for democratic principles, human rights and fundamental freedoms, the rule of . rights, fight against corruption.

Taxation

Ukrainian legislation regarding taxation and other operational issues continues to evolve as a result of the transition economy. Legislation and regulations are not always clearly defined and their interpretation depends on the views of local, regional and other government authorities. Cases of conflicting opinions are not unusual.

Ukraine has a corporate income tax system, under which taxable profit of companies (i.e. financial profit adjusted by tax differences) is subject to 18% tax rate.

Transfer pricing rules apply to transactions with related non-residents and “low-tax” non-residents (i.e. non-residents, taxed domestically at a significantly lower corporate income tax rate than the Ukrainian tax rate of 18%), subject to a company’s minimum income threshold of UAH 150 million and transactions volume threshold with each individual non- resident of UAH 10 million.

Domestic supplies of goods and services, as well as imports of goods and certain services, are subject to value added tax at a standard rate of 20%, except for supplies of wheat and rye (meslin), barley, corn, soybeans, colza or rapeseed, sunflower. They are taxed at a rate of 14%. A reduced tax rate of 0% applies to the export of goods from Ukraine.

Payment of passive income (i.e. interest, royalties, dividends etc.) to non-residents of Ukraine is subject to withholding tax at a standard 15% rate unless double tax treaties or the Tax Code of Ukraine provide another tax rate.

Agrarian producers of raw materials are allowed to apply a simplified tax system, given that at least 75% of their income is attributable to sales of agricultural raw materials produced by such company. Under the simplified tax system, companies are subject to a fixed tax, which depends on the type, location and monetary value of farmland used by such companies. Changes were made to the Tax Code and from January 1, 2022, egg producers, in particular, ceased to fall under this category.

On July 1, 2021, the Law on the abolition of the moratorium on the sale of agricultural land came into force, but it provides for a number of restrictions related to the maximum size of land that can be sold to an individual buyer, restrictions on the sale of land in certain territories and certain categories of buyers. After a full-scale Russian invasion of Ukraine on February 24, 2022, the sale was suspended, but at the end of May, the sale resumed.

The Group's operations and financial position will continue to be affected by political developments in Ukraine, including the application of current and future legislation and tax regulations. Management believes that the Group has complied with all applicable tax laws and has paid or accrued all applicable taxes.

Legal issues

The Group is involved in litigations and other claims that are in the ordinary course of its business activities. As at 31 December 2021, Group is involved in litigations in the amount of USD 2 394 thousand (2020: USD 1 518 thousand). Management believes that based on the past history of court resolutions of similar lawsuits by the Group, it is unlikely that a significant settlement will arise out of such lawsuits and therefore no respective provision is required in the Group’s financial statements as of the reporting date.

31. Financial risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through a combination of debt and equity capital. The management of the Group reviews the capital structure on a regular basis. Based on the results of this review, the Group takes steps to balance its overall capital structure through the issue of new debt or the redemption of existing debt.

The capital structure of the Group consists of debt, which includes the borrowings and cash and cash equivalents disclosed in Notes 24 and 26 respectively, and equity attributable to the equity holders of the parent, comprising issued capital, share premium, reserves and retained earnings.

Gearing ratio

The Group’s management reviews quarterly the capital structure of the Group. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

	31 December 2021	31 December 2020
Debt liabilities*	12 881	10 765
Cash and cash equivalents and deposits	(2 435)	(1 626)
Net debt	**10 446**	**9 139**
Equity**	109 889	104 404
Gearing ratio	**9,5%**	**8,8%**

* Debts include short-term and long-term borrowings.

** Equity includes the share capital, share premium, retained earnings and foreign currency translation reserve.

Financial risk management

The main risks inherent to the Group's operations are those related to credit risk exposures, liquidity risk, market movements in currency rates and interest rates and potential negative impact of livestock diseases.

Credit risk

The Group is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group's exposure to credit risk regarding trade accounts receivable is primarily dependent on specific characteristics of each client. The Group's policy for credit risk management provides systematic work with debtors, which includes: analysis of solvency, determination of maximum amount of risk related to one customer or a group of customers and control over timeliness of debt repayment. The majority of Group's clients are longstanding clients, there were no significant losses during 2021 and 2020 resulting from non-fulfillment of obligations by clients. Concentration of credit risk on trade accounts receivable is characterized by the following indicators:

For the year ended 31 December 2021 USD 50 913 thousand or 38% of Group's sales revenue is related to sales transactions, realized with 5 major customers of the Group. As at 31 December 2021 USD 5 844 thousand or 44% of trade accounts receivable relates to 5 major debtors.

The credit quality of the gross trade receivables from related and third parties was as follows:

	31 December 2021	31 December 2020
Fully performing	12 392	11 502
Past due but not impaired	1 013	1 231
Impaired	145	261
Total trade receivables (gross)	**13 550**	**12 994**

As at 31 December 2021 and 2020 the ageing of trade account receivables that were not impaired was as follows:

	%	31 December 2021	31 December 2020
0-30 days	-	12 520	11 411
31-90 days	-	778	1 106
91-180 days	-	70	171
181-360 days	0%	37	45
more than 360 days	100%	-	-
Total		**13 405**	**12 733**

Liquidity risk

Liquidity risk is the risk of the Group's failure to fulfill its financial obligations at the date of maturity. The Group's approach to liquidity management is to ensure, to the extent possible, permanent availability of sufficient liquidity for the Group to fulfill its financial obligations in due time (both in normal conditions and in non-standard situations), by avoiding unacceptable losses or the risk of damage to the reputation of the Group.

In accordance with plans of the Group, its working capital needs are satisfied by cash flows from operating activities, as well as by use of loans if cash flows from operating activities are insufficient for liabilities to be settled.

The table below represents the expected maturity of components of working capital:

31 December 2021	Carrying value	Contractual cash flows	Less than 3 months	3-6 months	6-12 months	Over 1 year
Non-derivative financial liabilities:						
Trade and other payables	14 391	14 391	13 528	863	-	-
Current interest-bearing loans and other financial liabilities	5 740	5 740	-	5 133	607	-
Non-current interest-bearing loans and other financial liabilities	7 141	7 141	-			7 141
Total	**27 272**	**27 272**	**13 528**	5 996		7 141

31 December 2020	Carrying value	Contractual cash flows	Less than 3 months	3-6 months	6-12 months	Over 1 year
Non-derivative financial liabilities:						
Trade and other payables	12 379	12 379	11 582	797		-
Current interest-bearing loans and other financial liabilities	5 593	5 593	-	3 013	2 580	-
Non-current interest-bearing loans and other financial liabilities	5 172	5 172	-			5 172
Total	**23 144**	**23 144**	**11 582**	**3 810**	**2 580**	**5 172**

Currency risk

Currency risk – Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group undertakes certain transactions denominated in foreign currencies. The Group does not use any derivatives to manage foreign currency risk exposure, at the same time the management of the Group sets limits on the level of exposure by currencies.

Exposure to foreign currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as of 31 December 2021 and 2020 were as follows:

31 December 2021 *(in conversion to USD thousand)*	**PLN**	**AED**	**USD**	**EUR**	**UAH**	**Total**
Assets						
Cash and cash equivalents	-	53	346	590	1 446	2 435
Trade receivables	-	-	1 196	1 235	10 974	13 405
Liabilities						
Current interest-bearing loans and other financial liabilities	-	-	-	(5 740)	-	(5 740)
Non-current interest-bearing loans and other financial liabilities	-	-	-	(7 141)	-	(7 141)
Trade accounts payable	-	-	(266)	(2 478)	(9 629)	(12 373)
Other payables	-	-	-	(67)	(31)	(98)
Net exposure to foreign currency risk	**-**	**53**	**1 276**	**(13 601)**	**2 760**	**(9 512)**

31 December 2020 *(in conversion to USD thousand)*	**PLN**	**AED**	**USD**	**EUR**	**UAH**	**Total**
Assets						
Cash and cash equivalents	-	47	259	791	529	1 626
Trade receivables	-	-	1 660	1 830	9 243	12 733
Liabilities						
Current interest-bearing loans and other financial liabilities	-	-	-	(5 569)	(24)	(5 593)
Non-current interest-bearing loans and other financial liabilities	-	-	-	(5 172)	-	(5 172)
Trade accounts payable	-	-	(368)	(1 790)	(8 403)	(10 561)
Other payables	-	-	-	(72)	(15)	(87)
Net exposure to foreign currency risk	**-**	**47**	**1 551**	**(9 982)**	**1 330**	**(7 054)**

This sensitivity rate represents the management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for expected change in foreign currency rates.

Effect in USD thousand:

	Increase in currency rate against UAH	**Effect on profit before tax**
31 December 2021		
USD	15%	191
EUR	15%	(2 040)
31 December 2020		
USD	15%	233
EUR	15%	(1 497)

The effect of foreign currency sensitivity on shareholders' equity is equal to that on profit or loss.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. The major part of the Group's borrowings bear variable interest rates which are linked to EURIBOR. Other borrowings are presented at fixed interest rates.

The below details the Group's sensitivity to increase or decrease of floating rate by 1%. The analysis was applied to interest bearing liabilities (bank borrowings under facility agreements) based on the assumption that the amount of liability outstanding as of the balance sheet date was outstanding for the whole year.

	31 December 2021	**31 December 2020**
	EURIBOR	EURIBOR
Profit/(loss)	6/(6)	26/(26)

The effect of interest rate sensitivity on shareholders' equity is equal to that on profit or loss.

Livestock diseases risk

The Group's agro-industrial business is subject to risks of outbreaks of various diseases. The Group faces the risk of outbreaks of diseases, which are highly contagious and destructive to susceptible livestock, such as avian influenza or bird flu for its poultry operations. The diseases could result in mortality losses. Disease control measures were adopted by the Group to minimize and manage this risk. The Group's management is satisfied with its current existing risk management and quality control processes are effective and sufficient to prevent any outbreak of livestock diseases and related losses.

32. Financial instruments

Estimated fair value disclosure of financial instruments is made in accordance with the requirements of International Financial Reporting Standard 7 "Financial Instruments: Disclosure". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

The Group uses the following hierarchy for determining the fair value of financial instruments:

Level 1 ("L1") - quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2 ("L2") - other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3 ("L3") - techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The Group does not acquire, hold or issue derivative financial instruments for trading purposes.

The following table presents the classification, subsequent measurement, carrying values and fair values of the Group's financial assets:

	Subsequent measurement	31 December 2021		31 December 2020	
		Carry-ing value	Fair value	Carry-ing value	Fair value
Financial assets:					
Trade and other receivables (a)	Amortized cost	15 471	15 471	15 865	15 865
Cash and cash equivalents		2 435	2 435	1 626	1 626
Total		**17 906**	**17 906**	**17 491**	**17 491**
Financial liabilities:					
Current interest-bearing loans and borrowings (a)	Amortized cost	5 740	5 740	5 593	5 593
Non-current interest-bearing loans and borrowings (b)	Amortized cost	7 141	7 141	5 172	5 172
Trade and other payables (current) (a)	Amortized cost	14 391	14 391	12 379	12 379
Total		**27 272**	**27 272**	**23 144**	**23 144**

The following methods and assumptions were used to estimate the fair values:

a) The Group's short-term financial instruments, comprising trade and other receivables, current interest-bearing loans and borrowings, trade and other payables are carried at amortized cost which, due to their short term nature, approximates their fair value.

b) The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

c) Fair value of available-for-sale financial assets is derived from quoted market prices in active markets, if available.

d) Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques.

33. Subsequent events

On 24 February 2022, Russian forces commenced a military invasion of Ukraine resulting in a fullscale war across the Ukrainian state. Many Ukrainian cities suffered substantial damage as a consequence of the continuous missile and artillery strikes, resulting in thousands of deaths and injuries, including among civilians. As a result of hostilities, some areas of Kharkov, Zaporozhye, Kherson, Donetsk and Lugansk regions were under occupation; The Black Sea ports in Ukraine have suspended their work, which temporarily made exports through sea terminals unavailable.

As of the date of this report, the Group continues to operate. The management of the Group controls all its operations. Office staff work remotely, while production staff perform their duties at their sites. About 40 employees of the Group were mobilized into the Armed Forces of Ukraine.

At the end of the 1st quarter of 2022, the company recognized a loss from the revaluation of biological assets in the amount of $17.5 million, which is associated with a revision of the valuation approach, as well as the events of February 24.

The Group has determined that the above events are not adjusting subsequent events. Accordingly, the financial position and results of operations for the year ended 31 December 2021 have not been adjusted for their impact. The duration and consequences of the war in Ukraine are currently unclear. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Group in future periods. After considering all available evidence and the actions taken and planned by the Group to offset the adverse impact of the ongoing military intervention on the business up to the date these financial statements are authorized for issue, management has concluded that it is appropriate to prepare the financial statements on a going concern basis, recognizing that this material uncertainty in it, as indicated in Note 2.

Based on Resolution 3 of the Annual General Meeting held on July 16, 2021, Mr Sergiy Karpenko resigned from the position of the non-executive director of Ovostar Union PCL on January 1, 2022. Mr Markiyan Markevich became a non-executive director on the same date.

OVOSTAR UNION PUBLIC COMPANY LIMITED
COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2021

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021
(in USD thousand, unless otherwise stated)

	Note	12 months ended 31 December 2021	12 months ended 31 December 2020
Dividend income	4	4 525	1 980
Administrative expenses	5	(232)	(203)
Operating profit		**4 293**	**1 777**
Finance costs	6	(181)	(635)
Finance income	7	370	35
Profit before tax		**4 482**	**1 177**
Income tax expense	8	(20)	(6)
Profit for the period		**4 462**	**1 171**

STATEMENT OF FINANCIAL POSITION
For the year ended 31 December 2021
(in USD thousand, unless otherwise stated)

	Note	31 December 2021	31 December 2020
Assets			
Non-current assets			
Investment in subsidiaries	9	46 097	46 097
Loan receivable	10	5 835	-
Total non-current assets		**51 932**	**46 097**
Current assets			
Cash and cash equivalents	12	9	14
Prepayments to suppliers		6	5
Other accounts receivables	11	11	3 395
Total current assets		**26**	**3 414**
Total assets		**51 958**	**49 511**
Equity and liabilities			
Equity			
Issued capital	13	68	74
Share premium	14	30 933	30 933
Foreign currency translation reserve		17	11
Retained earnings		13 357	12 186
Result for the period		4 462	1 171
Total equity		**48 837**	**44 375**
Non-current liabilities			
Interest-bearing loans and other financial liabilities	15	-	2 469
Total non-current liabilities		**-**	**2 469**
Current liabilities			
Trade and other payables	16	161	111
Interest-bearing loans and other financial liabilities	15	2 960	2 556
Total current liabilities		**3 121**	**2 667**
Total liabilities		**3 121**	**5 136**
Total equity and liabilities		**51 958**	**49 511**

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021
(in USD thousand, unless otherwise stated)

	Issued capital	Share premium	Foreign currency translation reserve	Retained earnings	Total equity
As at 31 December 2019	**78**	**30 933**	**7**	**12 186**	**43 204**
Profit for the period	-	-	-	1 171	1 171
Exchange rate differences	(4)	-	4	-	-
As at 31 December 2020	**74**	**30 933**	**11**	**13 357**	**44 375**
Profit for the period	-	-	-	4 462	4 462
Exchange rate differences	(6)	-	6	-	-
As at 31 December 2021	**68**	**30 933**	**17**	**17 819**	**48 837**

STATEMENT OF CASH FLOWS
For the year ended 31 December 2021
(in USD thousand, unless otherwise stated)

	12 months ended 31 December 2021	12 months ended 31 December 2020
Cash flows from operating activities		
Profit before tax	4 482	1 177
Non-cash adjustment to reconcile profit before tax to net cash flows:		
Dividend income	(4 525)	(1 980)
Interest income	(370)	(35)
Interest expense	181	635
Working capital adjustments:		
Decrease/(Increase) in receivable balances	(3 018)	1 519
Decrease/(Increase) in prepayments to suppliers	(2)	(5)
Decrease/(Increase) in payable balances	38	(61)
Cash used in operations		
Dividends received	5 135	1 980
Income tax paid	(5)	(9)
Net cash flows from operating activities	**1 916**	**3 221**
Cash flows from investing activities		
Payment for purchase of investment in subsidiaries	-	-
Interest received	-	35
Net cash flows used in investing activities	**-**	**35**
Cash flows from financing activities		
Proceeds from borrowings	397	1 810
Repayment of borrowings	(2 275)	(4 936)
Interest paid	(43)	(161)
Net cash flows used in financing activities	**(1 921)**	**(3 287)**
Net (decrease)/increase in cash and cash equivalents	**(5)**	**(31)**
Cash and cash equivalents at 01 January	**14**	**45**
Cash and cash equivalents at 31 December	**9**	**14**

1. GENERAL

Ovostar Union Public Company Limited (referred to herein as the “Company”) is a public limited company incorporated in the Netherlands in 2011 and re-domiciled to Cyprus in 2018. Ovostar Union PCL was formed to serve as the ultimate holding company of LLC “Ovostar Union” and its subsidiaries. Hereinafter, “Ovostar Union” and its subsidiaries are referred to as the “Ovostar Union Group” or the “Group”. The registered office and principal place of business of the Company is Ierotheou, 22, 4th floor, Strovolos, 2028 Nicosia, Cyprus.

Principal activities of the Group include production and distribution of shell eggs and egg products. The largest shareholder of the Company is Prime One Capital Ltd., Cyprus. Its principal activity is the holding of ownership interests in its subsidiary and strategic management.

Use of estimates

The preparation of financial statements under IFRS requires estimates to be used and assumptions to be made that affect the amounts shown in these financial statements. These estimates assume the operation is a going concern and are drawn up on the basis of the information available at the time. Estimates may be revised if the circumstances on which they were based change or if new information becomes available. Actual results may be different from these estimates.

Basis of preparation

The financial statements for the year ended 31 December 2021 have been prepared using the IFRS.

The IFRS individual financial statements were approved by the Board of Directors on 30 June 2022

For information on the companies belonging to Ovostar Union Group please refer to Note 1 of the Consolidated financial statements.

Going concern

For going concern, see note 2(2.2) of the consolidated financial statements

2. SIGNIFICANT ACCOUNTING POLICIES

Investment in subsidiaries

Investment in subsidiaries is measured at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

3. FUNCTIONAL AND PRESENTATION CURRENCY

The functional currency of the Company is U.S. dollar (USD). The financial statements are presented in the company’s functional currency, that is, U.S. dollar (USD).

4. DIVIDEND INCOME

	12 months ended 31 December 2021	12 months ended 31 December 2020
Dividend income from International Food Trade	-	230
Dividend income from OAE Food Trade FZE	4 525	1 750
Total	**4 525**	**1 980**

5. ADMINISTRATIVE EXPENSES

	12 months ended 31 December 2021	12 months ended 31 December 2020
Wages, salaries and social security costs	29	23
Legal, audit and other professional fees	181	149
Service charge expenses	22	26
Other expenses	-	5
Total	**232**	**203**

6. FINANCE COSTS

	12 months ended 31 December 2021	12 months ended 31 December 2020
Interest on debts and borrowings	181	309
Foreign currency exchange	-	326
Total	**181**	**635**

7. FINANCE INCOME

	12 months ended 31 December 2021	12 months ended 31 December 2020
Interest income	45	19
Foreign currency exchange	325	-
Other financial income	-	16
Total	**370**	**35**

8. CORPORATE INCOME TAX

Tax recognized in profit or loss:

	12 months ended 31 December 2021	12 months ended 31 December 2020
Corporation tax	19	6
Corporation tax – prior years	1	-
Charge for the year	**20**	**6**

The taxation on the Company's profit/(loss) before taxation differs from theoretical amount that would arise using the applicable tax rates as follows:

	12 months ended 31 December 2021	12 months ended 31 December 2020
Profit before tax	4 482	1 177
Applicable tax rates	12,50%	12,50%
Tax calculated at the applicable tax rates	560	147
Tax effect of expenses not deductible for tax purposes	92	176
Tax effect of allowances and income not subject to tax	(635)	(317)
10% additional charge	2	-
Charge for the year	**19**	**6**

9. INVESTMENT IN SUBSIDIARIES

	31 December 2021	31 December 2020
LLC “Ovostar Union”	45 345	45 345
GALLUSMAN SIA	344	344
LLC “Yasensvit”	313	313
Ovostar Europe LLC	63	63
OAE Food Trade FZE	28	28
EPEX SIA	3	3
International Food Trade Limited	1	1
Total	**46 097**	**46 097**

10. LOAN RECEIVABLE

	31 December 2021	31 December 2020
LLC Yasensvit	5 835	-
Total	**5 835**	**-**

Loan receivable as of December 31, 2021 consist of a loan and interest accrued by Yasensvit LLC, issued at 1% per annum, with a maturity date of May 2029 in USD.

11. OTHER ACCOUNTS RECEIVABLES

	31 December 2021	31 December 2020
International Food Trade Limited	-	19
OAE Food Trade FZE	11	602
LLC Yasensvit	-	2 774
Total	**11**	**3 395**

12. CASH AND CASH EQUIVALENTS

The Company’s cash balances are available upon demand.

13. ISSUED CAPITAL

The authorized share capital amounts to EUR 225,000 divided into 22 500 000 ordinary shares of EUR 0.01 nominal value each. During 2011, 6 000 000 shares have been issued. Using an exchange rate of 1 EUR = 1.198 USD.

For the movement schedule of issued capital, share premium, foreign currency translation reserve and profit for the year please refer to the specification of the Consolidated statement of changes in equity ncluded in the Consolidated financial statements. Legal reserve subsidiary as at 31 December 2021 was in the amount of USD 68 064 (in 2020: USD 73 582).

14. SHARE PREMIUM

As has been mentioned previously, in June 2011 the Group's shares have been placed on WSE. As a result of the transaction, USD 33 048 thousand was raised while the IPO costs amounted to USD 2 115 thousand. In these financial statements funds raised as a result of IPO are reflected in share premium as at 31 December 2011. For the year ended 31 December 2021 and 2020, there were no movements in share premium.

15. LOANS AND BORROWINGS

	Currency	Effective interest rate, %	Maturity	31 December 2021	31 December 2021
Current interest-bearing loans and other financial liabilities					
Landesbank Berlin AG/AKA Ausfuhrkredit-Gesellschaft mbH	EUR	2.25%+ EURIBOR (6m)	30.06.2022	607	2 556
Prime One Capital Limited	EUR	3,00%	10.07.2022	2 353	-
Total current interest-bearing loans and other financial liabilities				**2 960**	**2 556**
Non-current interest-bearing loans and other financial liabilities					
Prime One Capital Limited	EUR	3,00%	10.07.2022		2 469
Total non-current interest-bearing loans and other financial liabilities				**-**	**2 469**
Total interest-bearing loans and other financial liabilities				**2 960**	**5 025**

i) As at 31 December 2021 and 2020 loan and borrowings comprised loans received from AKA Ausfuhrkredit-Gesellschaft mbH. AKA Ausfuhrkredit-Gesellschaft mbH loan are guaranteed by subsidiaries and has been covered of Euler Hermes AG. For detail information about loans and borrowings refer to Note 24 in the Consolidated financial statements.

As part of loans and borrowings, there is a loan received from a related party Prime One Capital Limited.

16. TRADE AND OTHER PAYABLES

	31 December 2021	31 December 2020
Baker Tilly Ukraine, LLC	50	25
Baker Tilly Klitou & Partners Ltd	35	17
Ovostar Europe LLC	57	61
Other	19	8
Total	**161**	**111**

17. DIRECTORS

The Company is managed by the Board of Directors which consists of four members: one Executive Director and three Non-Executive directors.

The Board of Directors as at 31 December 2021 comprised:

Borys Bielikov	Chief Executive Officer, (non-independent)
Vitalii Veresenko	Chairman of the Board, Non-Executive Director (non-independent)
Sergii Karpenko	Non-Executive Director (independent)
Karen Arshakyan	Non-Executive Director (independent)

18. AUDIT FEE

	31 December 2021	31 December 2020
Baker Tilly Ukraine:		
Audit and review of financial statements	50	49
Baker Tilly Klitou & Partners Ltd		
Audit fees	36	34
Total	**86**	**83**

Audit fees disclosed in the financial statements include the fees for professional services rendered by Baker Tilly Ukraine and Baker Tilly Klitou & Partners Ltd and relate to the audit of the Company’s Consolidated and Company’s financial statements and its subsidiaries.

19. RELATED PARTY DISCLOSURES

As at 31 December 2021 and 2020 other receivables and payables from related parties are presented as follows:

	31 December 2021	31 December 2020
(A). Companies which activities are significantly influenced by the Beneficial Owners:		
Other non-current assets		
LLC Yasensvit	5 835	-
Other accounts receivables to related parties		
OAE Food Trade FZE	11	602
LLC Yasensvit	-	2 774
International Food Trade Limited	-	19
Total	**5 846**	**3 395**
Trade and other payables to related parties		
Ovostar Europe LLC	57	61
Total	**57**	**61**

	12 months ended 31 December 2021	12 months ended 31 December 2020
(B). Companies which activities are significantly influenced by the Beneficial Owners:		
Interest on debts and borrowings:		
Prime One Capital Limited	71	41
Total	**71**	**41**
Interest income:		
LLC Yasensvit	44	19
Total	**186**	**101**

20. SUBSEQUENT EVENTS

For events subsequent to the reporting date refer to note 33 of the consolidated financial statements

....
Borys Bielikov
Chief Executive Officer,
Executive Director

....
Vitalii Veresenko
Chairman of the Board,
Non-executive Director

....
Karen Arshakyan
Head of Audit Committee,
Non-executive Director

....
Vitalii Sapozhnik
Chief Financial Officer

bakertilly

Corner C. Hatzopoulou &
30 Griva Digheni Avenue
1066, Nicosia
P.O Box 27783,
2433 Nicosia, Cyprus

T: +357 22 458500
F: +357 22 751648

info@bakertilly.com.cy
www.bakertilly.com.cy

Independent Auditor's Report

To the Members of Ovostar Union Public Company Limited

Report on the Audit of the Consolidated and Individual Financial Statements

Opinion

We have audited the consolidated financial statements of Ovostar Union Public Company Limited (the parent Company, herein referred as the "Company") and its subsidiaries (the "Group"), and the individual financial statements of Ovostar Union Public Company Limited (the parent Company, herein referred as the "Company"), which are presented in pages 39 to 95 and comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and the individual statement of financial position as at 31 December 2021, and the individual statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the individual financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and individual financial statements give a true and fair view of the consolidated and individual financial position of the Group as at 31 December 2021, and of its consolidated and individual financial performance and its consolidated and individual cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

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 Financial Statements" section of our report. We remained independent of the Group throughout the period of appointment in accordance with the "International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants" (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2.2 and Note 33 of the consolidated financial statements which refer to the ongoing Russian military invasion of Ukraine since 24 February 2022. Due to conditions that exist during the military invasion, a material uncertainty exists which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

To the Members of Ovostar Union Public Company Limited

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and individual financial statements of the current period. These matters were addressed in the context of our audit in the consolidated and individual financial statements as a whole, and informing our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter	How the matter was addressed in our audit
Biological Assets Valuation The Group's biological assets are measured at fair value less costs to sell. As at 31 December 2021 the biological assets in the consolidated financial statements are presented at a carrying value of USD 60.538.000 (2020: USD 51.372.000). We refer to Note 5 and 17 in the consolidated financial statements for the related disclosures. The Group estimates the fair value of the biological assets based on the discounted cash flow technique. The Group determines the fair value internally, applying inputs from mostly internal sources which require estimates and assumptions, including the future value of the produced eggs, the costs to maintain the laying hens until the end of their production period and the discount rate. Due to the level of judgment and complexity involved in the valuation of biological assets, as well as the significance of biological assets to the Group's financial position, this is considered to be a key audit matter.	We obtained an understanding of management's biological assets' valuation process and evaluated the design and tested the operating effectiveness of internal controls related to biological assets. Our audit procedures over the valuation of biological assets included, among others: • Testing of the design of, and validity of the input data used in, the valuation model of biological assets; • Testing the completeness and accuracy of the data used through recalculation and testing of inputs; • Assessment of the methodology adopted by management for the valuation; • Assessment of the key valuation assumptions used in the model against prevailing market conditions; • Assessment of the assumptions used to derive to the discount rate applied in the valuation model; • Testing of the mathematical accuracy of the model used for valuation; • Assessment of the adequacy and appropriateness of disclosures for compliance with the applicable accounting standards.

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report and the Corporate Governance Statement, but does not include the consolidated and individual financial statements and our auditor's report thereon.

Our opinion on the consolidated and individual 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 consolidated and individual financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and individual 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. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the Consolidated and Individual Financial Statements

The Board of Directors is responsible for the preparation of consolidated and individual financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated and individual financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Individual Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and individual financial statements as a whole 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 and individual financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and individual 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' 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 Group'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 consolidated and individual 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and individual financial statements, including the disclosures, and whether the consolidated and individual financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and individual financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, 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 charges with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and individual financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the Group on 30 November 2018 by the General Meeting of the Company's members to audit its financial statements for the year ended 31 December 2018. Our appointment has been renewed annually by resolution at the shareholder's Annual General Meeting representing a total period of uninterrupted engagement appointment of 4 years.

Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the consolidated and individual financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 01 July 2022 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Group and which have not been disclosed in the consolidated and individual financial statements or the management report.

European Single Electronic Format

The Board of Directors of Ovostar Union Public Company Limited is responsible for preparing and submitting the consolidated and the individual financial statements for the year ended 31 December 2021 in accordance with the requirements set out in the EU Delegated Regulation 2019/815 of 17 December 2018 of the European Commission (the "ESEF Regulation").

Our responsibility is to examine the digital files prepared by the Board of Directors of Ovostar Union Public Company Limited. According with the Audit Guidelines issued by the Institute of Certified Public Accountants of Cyprus (the "Audit Guidelines"), we are required to plan and perform our audit procedures in order to examine whether the content of the consolidated and the individual financial statements included in the digital files correspond to the consolidated and the individual financial statements we have audited, and whether the digital files have been prepared in all material respects, in accordance with the requirements of the ESEF Regulation.

Independent Auditor's Report (continued)

To the Members of Ovostar Union Public Company Limited

The consolidated and the individual financial statements for the year ended 31 December 2021 in accordance with the ESEF Regulation have not yet been submitted to us at the date of this report. A separate report will be issued accordingly.

If the digital files will not be submitted to us within a reasonable timeframe, we will be required to adjust this report in order to state this.

Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the financial statements.

- In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the management report. We have nothing to report in this respect.

- In our opinion, based on the work undertaken in the course of our audit, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the management report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap, 113, and is consistent with the financial statements.

- In our opinion, based on the work undertaken in the course of our audit, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.

- In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. We have nothing to report in this respect.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is Maria Kaffa.

....

Maria Kaffa

Certified Public Accountant and Registered Auditor
for and on behalf of

Baker Tilly Klitou and Partners Ltd
Certified Public Accountants and Registered Auditors

Corner C Hatzopoulou & Griva Digheni 30 Avenue
1066 Nicosia
Cyprus
Nicosia, 01 July 2022

Legal address:
Ovostar Union PCL
22 Ierotheou Street
2028 Nicosia , Cyprus

Correspondence address:
34 Petropavlivska street
04086 Kyiv, Ukraine

For Investor Relations inquiries:
Investor Relations Department
Anna Tews
ir@ovostar.ua
Cell: +38 050 439 05 05
Landline: +38 044 354 29 60

Forward-looking statements notice

All forward-looking statements contained in this annual report with respect to our future financial and operational performance and position are, unless otherwise stated, based on the beliefs, expectations, projections and the estimates of our management representing their judgment as at the dates on which the statements have been made. Forward-looking statements are generally identifiable by the use of the words "may", "will", "should", "plan", "forecast", "expect", "anticipate", "estimate", "believe", "intend", "project", "goal" or "target" or the negative of these words or other variations on these words or comparable terminology. Our actual operational and financial results or the same of our industry involve a number of known and unknown risks, uncertainties and other factors and they are not guaranteed to be similar to the forward-looking statements, although our management makes all effort to make forward-looking statements as accurate as possible. We do not undertake publicly to update or revise any forward-looking statement that may be made herein, whether as a result of new information, future events or otherwise.