**­­­­Limited liability company**

**GlobalLogic Ukraine**

Financial statements prepared in accordance with the IFRS

*For the year ended 31 December 2022*

Management report (x)

Independent auditor’s report (i)

**FINANCIAL STATEMENT**

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|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | Date (year, month, date) | **2022** | **12** | **31** |
| Entity: “GlobalLogic Ukraine” Limited Liability Company | | per EDRPOU | **34423473** | | |
| Location: Kyiv |  | per KOATUU | **8038900000** | | |
| Ownership: Limited Liability Company |  | per KOPFG | **240** | | |
| Type of activity: Computer programming | | per KVED | **62.01** | | |
| Average headcount: 65 |  |  |  | | |
| Address: Ukraine, Kyiv, Mykoly Hrinchenka Str., 2/1, 03038 |  |  |  | | |
| Units of measurement: thousands of UAH |  |  |  | | |
| Prepared in accordance with (mark with “v” in relevant box): |  |  |  | | |
| Ukrainian Accounting Standards |  |  |  | | |
| International Financial Reporting Standards |  |  | V | | |

**Balance sheet   
(Statement of financial position)   
as at 31 December 2022**

|  |  |  |  |
| --- | --- | --- | --- |
|  | Form № 1 | DKUD code | 1801001 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Assets** | **Note** | **Line code** | **As at 31 December 2022** | **As at 31 December 2021** |
| **1** |  | **2** | 3 | **4** |
| **I. Non-current assets** |  |  |  |  |
| Intangible assets | 6 | 1000 | 29,678 | 23,575 |
| historical cost |  | 1001 | 148,948 | 120,710 |
| accumulated amortization |  | 1002 | (119,270) | (97,135) |
| Capital investments in progress | 7 | 1005 | 4,480 | 4,259 |
| Property, plant and equipment: | 7 | 1010 | 380,154 | 598,517 |
| historical cost |  | 1011 | 1,807,607 | 1,732,959 |
| accumulated depreciation |  | 1012 | (1,427,453) | (1,134,442) |
| Investment property |  | 1015 | – | – |
| Non-current biological assets |  | 1020 | – | – |
| Non-current financial investments: |  |  |  |  |
| accounted for under the equity method |  | 1030 | – | – |
| other financial investments |  | 1035 | – | – |
| Non-current receivables |  | 1040 | – | – |
| Deferred tax assets | 15 | 1045 | – | 25,561 |
| Other non-current assets |  | 1090 | 27,506 | 24,650 |
| **Total Section I** |  | **1095** | **441,818** | **676,562** |
| **II. Current assets** |  |  |  |  |
| Inventories |  | 1100 | 1,658 | 1,661 |
| Raw materials |  | 1101 | 1,153 | 1,155 |
| Goods |  | 1104 | 505 | 506 |
| Current biological assets |  | 1110 | – | – |
| Accounts receivable for goods and services | 8 | 1125 | 2,073 | 2,911 |
| Accounts receivable: |  |  |  |  |
| prepayments made |  | 1130 | 45,931 | 6,795 |
| prepaid taxes and charges | 8 | 1135 | 638 | 648 |
| including prepaid corporate income tax |  | 1136 | – | – |
| Accounts receivable from related parties | 8, 14 | 1145 | 2,959,011 | 1,530,574 |
| Other accounts receivable | 8 | 1155 | 315 | 615 |
| Current financial investments |  | 1160 | – | – |
| Cash and cash equivalents: | 9 | 1165 | 74,987 | 99,129 |
| Prepaid expenses |  | 1170 | 2,282 | 3,214 |
| Other current assets | 10 | 1190 | 7,017 | 8,201 |
| **Total Section II** |  | **1195** | **3,093,912** | **1,653,748** |
| **III. Assets classified as held for sale and discontinued operations** |  | **1200** | – | – |
| **Balance** |  | **1300** | **3,535,730** | **2,330,310** |
|  |  |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Liabilities and equity** | **Note** | **Line code** | **As at 31 December  2022** | **As at 31 December 2021** |
| **1** |  | **2** | **3** | **4** |
| **I. Equity** |  |  |  |  |
| Share capital | 22 | 1400 | 4,178 | 4,178 |
| Revaluation reserve |  | 1405 | – | – |
| Additional paid-in capital |  | 1410 | – | – |
| Reserved fund |  | 1415 | – | – |
| Retained earnings (accumulated deficit) | 22 | 1420 | 3,127,526 | 1,988,937 |
| Unpaid capital |  | 1425 | – | – |
| Treasury stock |  | 1430 | – | – |
| **Total Section I** |  | **1495** | **3,131,704** | **1,993,115** |
| **II. Non-current liabilities and provisions** |  |  |  |  |
| Deferred tax liabilities |  | 1500 | – | – |
| Non-current bank loans |  | 1510 | – | – |
| Other non-current liabilities | 11 | 1515 | 3,348 | 106,767 |
| Non-current provisions |  | 1520 | – | – |
| Special purpose funding |  | 1525 | – | – |
| **Total Section II** |  | **1595** | **3,348** | **106,767** |
| **III. Current liabilities and provisions** |  |  |  |  |
| Short-term bank loans |  | 1600 | – | – |
| Current liabilities related to: |  |  |  |  |
| current portion of non-current liabilities |  | 1610 | – | – |
| for goods and services | 12 | 1615 | 22,545 | 13,338 |
| taxes and charges payable | 12 | 1620 | 39,335 | 26,566 |
| including corporate income tax payable |  | 1621 | 37,792 | 25,334 |
| social insurance |  | 1625 | – | – |
| payroll | 12 | 1630 | 176 | – |
| Current liabilities for advances received |  | 1635 | – | – |
| Current liabilities from internal settlements |  | 1645 | – | – |
| Current provisions | 13 | 1660 | 207,701 | 34,288 |
| Deferred revenue |  | 1665 | – | – |
| Other current liabilities | 11 | 1690 | 130,921 | 156,236 |
| **Total Section III** |  | **1695** | **400,678** | **230,428** |
| **IV. Liabilities directly associated with the assets classified as held for sales and discontinued operations** |  | **1700** | – | – |
| **V. Net asset value of a non-government pension fund** |  | **1800** | – | – |
| **Balance** |  | **1900** | **3,535,730** | **2,330,310** |

**Chief financial officer Oksana Jukalo**

**Chief accountant Iurii Badyvskyi**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Date (year, month, date) | **2022** | **12** | **31** |
| Entity: “GlobalLogic Ukraine” LLC | per EDRPOU | **34423473** | | |

**Income statement   
(Statement of comprehensive income)   
for the year 2022**

|  |  |  |  |
| --- | --- | --- | --- |
|  | Form № 2 | DKUD code | 1801003 |

### І. FINANCIAL RESULTS

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Description** | **Note** | **Line code** | **Current  period** | **Preceding  period** |
| **1** |  | **2** | **3** | **4** |
| Net revenue from sales of goods (merchandise, services) | 16 | 2000 | 11,515,158 | 7,708,009 |
| Cost of goods sold (merchandise, services) | 17 | 2050 | (10,124,904) | (6,725,448) |
| **Gross:** |  |  |  |  |
| **Profit** |  | 2090 | **1,390,254** | **982,561** |
| **Loss** |  | 2095 | **–** | **–** |
| Other operating income | 18 | 2120 | 469,481 | 12,555 |
| Administrative expenses | 19 | 2130 | (425,034) | (329,863) |
| Selling expenses |  | 2150 | - | - |
| Other operating expenses | 20 | 2180 | (24,973) | (33,858) |
| **Operating:** |  |  |  |  |
| **Profit** |  | **2190** | **1,409,728** | **631,395** |
| **Loss** |  | **2195** | **–** | **–** |
| Income from investments accounted for under equity method |  | 2200 | – | – |
| Finance income | 21 | 2220 | 12,524 | 6,873 |
| Other income | 11 | 2240 | 56,838 | 11 |
| Finance expenses | 21 | 2250 | (16,293) | (23,484) |
| Loss from investments accounted for under equity method |  | 2255 | – | – |
| Other expenses |  | 2270 | (3,632) | (24,406) |
| **Net financial result before tax:** |  |  |  |  |
| **Profit** |  | **2290** | **1,459,165** | **590,389** |
| **Loss** |  | **2295** | **–** | **–** |
| Income (expenses) on income tax on ordinary activities | 15 | 2300 | (320,576) | (119,410) |
| Financial results from discontinued operations, net of tax |  | 2305 | – | – |
| **Net financial result:** |  |  |  |  |
| **Profit** |  | **2350** | **1,138,589** | **470,979** |
| **Loss** |  | **2355** | **–** | **–** |

### II. COMPREHENSIVE INCOME

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Line  code** | **Current  period** | **Preceding  period** |
| **1** | **2** | **3** | **4** |
| Revaluation (loss from impairment) of non-current assets | 2400 | – | – |
| Revaluation (loss from impairment) of financial instruments | 2405 | – | – |
| Accumulated translation differences | 2410 | – | – |
| Share of other comprehensive income from associates and joint ventures | 2415 | – | – |
| Other comprehensive income | 2445 | – | – |
| **Other comprehensive income before tax** | **2450** | **–** | **–** |
| Income tax related to other comprehensive income | 2455 | – | – |
| **Other comprehensive income, net of tax** | **2460** | **–** | **–** |
| **Total comprehensive income (sum lines 2350, 2355 and 2460)** | **2465** | **1,138,589** | **470,979** |

### III. ELEMENTS OF OPERATING EXPENSES

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Line code** | **Current  period** | **Preceding  period** |
| **1** | **2** | **3** | **4** |
| Cost of materials | 2500 | 6,906 | 5,920 |
| Payroll | 2505 | 272 709 | 282,349 |
| Social insurance | 2510 | 12 996 | 8,014 |
| Depreciation and amortization | 2515 | 353,453 | 351,862 |
| Other operating expenses | 2520 | 9,928,847 | 6,441,024 |
| **Total** | **2550** | **10,574,911** | **7,089,169** |

### ІV. CALCULATION OF EARNINGS PER SHARE

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Line code** | **Current  period** | **Preceding  period** |
| **1** | **2** | **3** | **4** |
| Annual average number of ordinary shares | 2600 | – | – |
| Diluted annual average number of ordinary shares | 2605 | – | – |
| Net income per ordinary share | 2610 | – | – |
| Diluted net income per ordinary share | 2615 | – | – |
| Dividends per ordinary share | 2650 | – | – |

**Chief financial officer Oksana Jukalo**

**Chief accountant Iurii Badyvskyi**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date (year, month, date) | | | 2022 | 12 | 31 |
| Entity: “GlobalLogic Ukraine” LLC | per EDRPOU | 34423473 | | |

**Statement of Cash Flows (direct method)**

**For the year ended 31 December 2022**

|  |  |  |
| --- | --- | --- |
| Form № 3 | DKUD code | 1801004 |

| **Description** | **Line code** | **Current  period** | **Preceding  period** |
| --- | --- | --- | --- |
|  |  |  |  |
| **1** | **2** | **3** | **4** |
| **I. Cash Flow from operating activities** |  |  |  |
| Cash inflows from: |  |  |  |
| Sales of goods and services | 3000 | 10,579,952 | 7,408,378 |
| Refund of taxes and charges | 3005 | – | – |
| including value added tax | 3006 | – | – |
| Special purpose funding | 3010 | 42 | - |
| Advances received from customers | 3015 | – | – |
| Refund of prepayments made | 3020 | 2,390 | 2,481 |
| Interest income on current bank accounts | 3025 | 10,219 | 4,947 |
| Proceeds of fines and penalties | 3035 | 499 | 961 |
| Proceeds from operating lease | 3040 | 2,205 | 16 |
| Other inflows | 3095 | 61,709 | – |
| Cash outflows on:  Purchase of goods and services | 3100 | (9,851,849) | (6,421,950) |
| Payroll | 3105 | (129,494) | (237,604) |
| Social insurance cost | 3110 | (10,173) | (8,567) |
| Redemption of taxes and charges | 3115 | (340,368) | (223,868) |
| Corporate income tax | 3116 | (282,556) | (127,032) |
| Value added tax | 3117 | (23,604) | (25,138) |
| Other taxes and charges | 3118 | (34,208) | (71,698) |
| Prepayments made | 3135 | (4,530) | (10,392) |
| Repayment of advances received | 3140 | – | – |
| Special-purpose funding | 3145 | (6,714) | (21,251) |
| Insurance payments | 3150 | – | – |
| Loans granted | 3155 | – | – |
| Other outflows | 3190 | (3,515) | (5,238) |
| **Net cash flow from operating activities** | **3195** | **310,360** | **487,913** |
| **II. Cash flows from investing activities** |  |  |  |
| Proceeds from disposal of: |  |  |  |
| financial investments | 3200 | – | – |
| non-current assets | 3205 | 18 | 1 |
| Proceeds from: |  |  |  |
| Interest received | 3215 | – | – |
| Dividends received | 3220 | – | – |
| Proceeds from derivatives | 3225 | – | – |
| Proceeds from redemption of loans | 3230 | 10,979 | 11,301 |
| Other inflows | 3250 | – | – |
| Outflows on purchase of: |  |  |  |
| financial investments | 3255 | – | – |
| non-current assets | 3260 | (140,171) | (276,192) |
| Outflows from derivatives | 3270 | – | – |
| Loans granted | 3275 | (10,010) | (9,729) |
| Other outflows | 3290 | – | – |
| **Net cash flows from investing activities** | **3295** | **(139,184)** | **(274,619)** |
| **III. Cash flows from financing activities** |  |  |  |
| Proceeds from: |  |  |  |
| Equity contribution | 3300 | – | – |
| Loans received | 3305 | – | – |
| Other inflows | 3340 | – | – |
| Outflows used in: |  |  |  |
| Purchase of treasury shares | 3345 | – | – |
| Repayment of loans | 3350 | – | – |
| Disctribution of dividends | 3355 | – | – |
| Interest paid | 3360 | – | – |
| Repayment of finance lease liabilities | 3365 | – | – |
| Other outflows | 3390 | (201,159) | (182,017) |
| **Net cash flows from financing activities** | **3395** | **(201,159)** | **(182,017)** |
| **Net cash flows in the reporting period** | **3400** | **(29,984)** | **31,277** |
| Cash and cash equivalents at the beginning of the year | 3405 | 99,129 | 54,280 |
| Foreign exchange gain on cash balance | 3410 | 5,610 | 14,521 |
| Cash and cash equivalents at the year end | 3415 | **75,705** | **100,078** |

The amounts stated in lines 3415 " Cash and cash equivalents at the year-end " and 3405 " Cash and cash equivalents at the beginning of the year " in the statement of cash flows do not match to corresponding values in line 1165 "Cash and cash equivalents" of the balance sheet for the amount of allowance for expected credit loss.

**Chief financial officer Oksana Jukalo**

**Chief accountant Iurii Badyvskyi**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date (year, month, date) | | **2022** | **12** | **31** |
| Entity: “GlobalLogic Ukraine” LLC | per EDRPOU | **34423473** | | |

**Statement of changes in equity**

**for the year ended 31 December 2022**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Form № 4 | | | | | DKUD code | | **1801005** | |
| **Description** | | | | **Line code** | **Share capital** | **Revaluation reserve** | | **Additional paid-in capital** | | **Reserve fund** | | **Retained earnings (accumulated deficit)** | **Unpaid capital** | **Treasury stock** | **Total** |
| **1** | | | | **2** | **3** | **4** | | **5** | | **6** | | **7** | **8** | **9** | **10** |
| **Balance at the beginning of the year** | | | | **4000** | **4,178** | **-** | | **-** | | **-** | | **1,988,937** | **-** | **-** | **1,993,115** |
| **Adjustments:** | | | |  |  |  | |  | |  | |  |  |  |  |
| Changes to accounting policy | | | | 4005 | - | - | | - | | - | | - | - | - | **-** |
| Correction of errors | | | | 4010 | - | - | | - | | - | | - | - | - | **-** |
| Other changes | | | | 4090 | - | - | | - | | - | |  | - | - | **-** |
| **Adjusted balance at the beginning of the year** | | | | **4095** | **4,178** | **-** | | **-** | | **-** | | **1,988,937** | **-** | **-** | **1,933,115** |
| **Net profit (loss) for the reporting period** | | | | **4100** | **-** | **-** | | **-** | | **-** | | **1,138,589** | **-** | **-** | **1,138,589** |
| **Other comprehensive income for the reporting period** | | | | **4110** | **-** | **-** | | **-** | | **-** | | **-** | **-** | **-** | **-** |
| **Profit distribution:** | | |  |  |  |  | |  | |  | |  |  |  |  |
| Payments to shareholders (dividends) | | | | 4200 | - | - | | - | | - | | - | - | - | **-** |
| Increase of share capital | | | | 4205 | - | - | | - | | - | | - | - | - | **-** |
| Contributions to reserve fund | | | | 4210 | - | - | | - | | - | | - | - | - | **-** |
| **Contributions from shareholders:** | | | |  |  |  | |  | |  | |  |  |  |  |
| Contributions to capital | | | | 4240 | - | - | | - | | - | | - | - | - | **-** |
| Debt repayment from capital | | | | 4245 | - | - | | - | | - | | - | - | - | **-** |
| **Withdrawan capital:** | | | |  |  |  | |  | |  | |  |  |  |  |
| Purchase of own shares | | | | 4260 | - | - | | - | | - | | - | - | - | **-** |
| Resale of treasury shares | | | | 4265 | - | - | | - | | - | | - | - | - | **-** |
| Cancellation of treasury shares | | | | 4270 | - | - | | - | | - | | - | - | - | **-** |
| Withdrawal of share from the capital | | | | 4275 | - | - | | - | | - | | - | - | - | **-** |
| Other changes in equity | | | | 4290 | - | - | | - | | - | | - | - | - | **-** |
| **Total changes in capital** | | | | **4295** | **-** | **-** | | **-** | | **-** | | **1,138,589** | **-** | **-** | **1,138,589** |
| **The balance at the end of the year** | | | | **4300** | **4,178** | **-** | | **-** | | **-** | | **3,127,526** | **-** | **-** | **3,138,704** |
| **Chief financial officer Oksana Jukalo**  **Chief accountant Iurii Badyvskyi** | | | | | | | | | | | | | |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date (year, month, date) | | **2021** | **12** | **31** |
| Entity: “GlobalLogic Ukraine” LLC | per EDRPOU | **34423473** | | |

**Statement of changes in equity**

**for the year ended 31 December 2021**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Form № 4 | | | | | DKUD code | | **1801005** | |
| **Description** | | | **Line code** | **Share capital** | **Revaluation reserve** | | **Additional paid-in capital** | | **Reserve fund** | | **Retained earnings (accumulated deficit)** | **Unpaid capital** | **Treasury stock** | **Total** |
| **1** | | | **2** | **3** | **4** | | **5** | | **6** | | **7** | **8** | **9** | **10** |
| **Balance at the beginning of the year** | | | **4000** | **4,178** | **-** | | **-** | | **-** | | **1,517,958** | **-** | **-** | **1,522,136** |
| **Adjustments:** | | |  |  |  | |  | |  | |  |  |  |  |
| Changes to accounting policy | | | 4005 | - | - | | - | | - | | - | - | - | **-** |
| Correction of errors | | | 4010 | - | - | | - | | - | | - | - | - | **-** |
| Other changes | | | 4090 | - | - | | - | | - | |  | - | - | **-** |
| **Adjusted balance at the beginning of the year** | | | **4095** | **4,178** | **-** | | **-** | | **-** | | **1,517,958** | **-** | **-** | **1,522,136** |
| **Net profit (loss) for the reporting period** | | | **4100** | **-** | **-** | | **-** | | **-** | | **470,979** | **-** | **-** | **470,979** |
| **Other comprehensive income for the reporting period** | | | **4110** | **-** | **-** | | **-** | | **-** | | **-** | **-** | **-** | **-** |
| **Profit distribution:** | |  |  |  |  | |  | |  | |  |  |  |  |
| Payments to shareholders (dividends) | | | 4200 | - | - | | - | | - | | - | - | - | **-** |
| Increase of share capital | | | 4205 | - | - | | - | | - | | - | - | - | **-** |
| Contributions to reserve fund | | | 4210 | - | - | | - | | - | | - | - | - | **-** |
| **Contributions from shareholders:** | | |  |  |  | |  | |  | |  |  |  |  |
| Contributions to capital | | | 4240 | - | - | | - | | - | | - | - | - | **-** |
| Debt repayment from capital | | | 4245 | - | - | | - | | - | | - | - | - | **-** |
| **Withdrawn capital:** | | |  |  |  | |  | |  | |  |  |  |  |
| Purchase of own shares | | | 4260 | - | - | | - | | - | | - | - | - | **-** |
| Resale of treasury shares | | | 4265 | - | - | | - | | - | | - | - | - | **-** |
| Cancellation of treasury shares | | | 4270 | - | - | | - | | - | | - | - | - | **-** |
| Withdrawal of share from the capital | | | 4275 | - | - | | - | | - | | - | - | - | **-** |
| Other changes in equity | | | 4290 | - | - | | - | | - | | - | - | - | **-** |
| **Total changes in capital** | | | **4295** | **-** | **-** | | **-** | | **-** | | **470,979** | **-** | **-** | **470,979** |
| **The balance at the end of the year** | | | **4300** | **4,178** | **-** | | **-** | | **-** | | **1,988,937** | **-** | **-** | **1,993,115** |

**Chief financial officer Oksana Jukalo**

**Chief accountant Iurii Badyvskyi**

1. Corporate information

GlobalLogic Limited Liability Company (the “Company”) was incorporated on 5 July 2006 in accordance with the decision of the statutory meeting. The principal activity of the Company is software development and support.

The authorized capital is 100% owned by the sole participant - "Bonus Technology Inc.", which is registered at 07015, Newark, New Jersey, United States. Hitachi Limited (Tokyo, Japan) is an ultimate controlling party of the Company.

As of 31 December 2022, the Company had 109 employees (31 December 2021: 57 employees).

The registered office and principal place of business is at 2/1 Mykoly Hrinchenka street, 03038, Kyiv, Ukraine

2. Operating environment and economic conditions

The Russian Federation started a full-scale military invasion of Ukraine on February 24, 2022, resulting in casualties, population displacement, infrastructure damage and disruption to economic activities. As a consequence, it became challenging for many entities in Ukraine to conduct the usual business amidst the turmoil.

The Ukrainian economy encountered substantial hurdles in 2022, primarily stemming from reduced budget revenues, increased military expenses, and the need to finance the social needs. As a result, the country's GDP dropped by approximately 30.3%, annual inflation rose to 26.6% and unemployment reached 25%. To curb inflation, the National Bank of Ukraine increased its key policy rate to 25%. USD 32 billion external financial aid and sizable financial commitments played a vital role and contributed significantly to Ukraine's financial stability. Looking ahead, the NBU anticipates that Ukrainian GDP will have a marginal growth (0.3%) in 2023.

In an attempt to stabilize Ukraine's financial system, the National Bank of Ukraine has implemented certain administrative restrictions on the currency exchange transactions and payments abroad. This move has seen the NBU shift from a flexible exchange rate to a fixed exchange rate regime, maintaining a steady exchange rate of UAH 36.57 per 1 USD since July 21, 2022. Despite the overall instability in the country, the banking system has continued to function normally, remaining stable with sufficient liquidity and offering standard banking services to its customers. Furthermore, with substantial financial support received in 2022 and exports from Ukraine, the NBU managed to increase its foreign reserves to a considerable USD 28.5 billion by the end of the year, surpassing the rule of three months of critical import. Strong financial support and exports have also helped to alleviate pressure on the UAH in the foreign exchange market.

The Russian military's recent attacks on Ukraine have extended beyond military targets, extending to civilian infrastructure in their sights, resulting in destruction/damage to energy facilities, leading to power outages in various regions. Yet still the energy system has somehow been kept stabilized, allowing operations to continue during the winter months.

All of the above led to decrease in the monthly export of IT services from Ukraine from around US$ 1 billion in January 2022 to around US$ 0.6 billion in December 2022. The downturn in export sales was primarily reasoned by decrease in headcount of IT-engineers domiciled in Ukraine. From total number of IT-engineers of 228 thousand as of 1 January 2022, 20% redomiciled abroad and 2% were conscripted to the UAF. Nevertheless, the total value of exported IT-services during ten-months period of 2022 increased by 6% (in US dollar equivalent) comparing to the same period of 2021.

Despite facing significant uncertainty, the operating environment in Ukraine has demonstrated a high degree of adaptability and resilience when confronted with challenges.

3. Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS).

These financial statements have been prepared on a historical cost basis

The financial statements are presented in Ukrainian hryvnias and all values are rounded to the nearest thousand ("thousand UAH”), except when otherwise indicated. It was approved for issue by the Company's management 6 April 2023.

**Going concern**

In February 2022, the Russian Federation initiated a full-scale military invasion of Ukraine (“War”) and its impact on the operating environment is disclosed in Note 2 above. The management’s thought process on appropriateness of the going concern assumption is noted below.

The Company’s assets remain unscathed, fully accessible and secured as of the date of authorization of these financial statements. The Company's current assets exceeded current liabilities as of 31 December 2022, the Company generated net profit and positive cash flow from its operating activities in the same year. Management remains optimistic that the Company can maintain operations as a going concern. It cites the following factors to support this view:

- The Company's activity has not been significantly affected by the ongoing hostilities in Ukraine. Management believes that the Company has sufficient financial resources to support its ongoing activities, with operating cash flows being the primary source of financing.

- The Company has sufficient workforce to continue operating in the foreseeable future. Almost all the Company’s employees and contracted IT engineers have moved from cities close to the frontline to more safe places in centre and west of Ukraine or neighbouring countries. In 2022, 200 employees / IT-engineers were called up for military service.

- As of the date of approval of these financial statements, neither the Company's management nor its parent plans to suspend or liquidate the Company's activities in Ukraine.

Based on the existing contractual arrangements with customers, analysis of year-to-date performance and likely average mobilization rate of 2%, the management expects that the Company’s revenue for 2023 will not be lower than in 2022 and its net operating cash flow will remain positive.

The Company monitors situation on a daily basis and takes action, to the extent possible, to ensure physical safety of employees and IT engineers and to secure overall business continuity.

These management plans indicate that, taking into account of reasonably possible downsides, the Company has adequate resources to continue in operational existence for the foreseeable future. Management has therefore concluded that it is appropriate to apply the going concern basis of accounting in preparing the 2022 financial statements. However, due to the currently unpredictable effects of the ongoing War on the significant assumptions underlying management forecasts, management concludes that a material uncertainty exists, which may cast significant doubt on the Company’s ability to continue as a going concern and, therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

**New standards and interpretations that have come into force**

During the preparation of these IFRS financial statements, the Company has applied all standards and interpretations that were effective as at 31 December 2022. The Company did not early adopted standards, amendments and interpretations that were issued but did not enter into force.

**Future changes in accounting policies**

At date of issuance of these financial statements, certain standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. The management of the Company believes that adoption of these standards and interpretations will not impact the Company's financial statements in the future periods:

|  |  |
| --- | --- |
| *Standard and amendments* | *Effective date* |
| IFRS 17 “Insurance Contracts” | 1 January 2023 |
| Definition of Accounting Estimates - Amendments to IAS 8 | 1 January 2023 |
| Disclosure of accounting policies – Amendments to IAS 1 | 1 January 2023 |
| Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 | 1 January 2023 |
| Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 | 1 January 2023 |
| Classification of Liabilities as Current or Non-current - Amendments to IAS 1 | 1 January 2024 |
| Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 | Not specified |

4. Significant accounting estimates and judgments in applying accounting policies

In the application of the Company’s accounting policies which are described in Note 5, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**Judgments**

In the process of applying the Company’s accounting policies, the management has made the following judgments, apart from those involving estimates, which have the most significant effect on the amounts recognised in the financial statements:

*Tax and other regulatory compliance risks*

Ukrainian legislation and regulations regarding taxation and other operational matters, including currency exchange control and custom regulations, continue to evolve. Legislation and regulations are not always clearly written and are subject to varying interpretations by local, regional and national authorities, and other governmental bodies. Instances of inconsistent interpretations are not unusual and thus there is no clear guidance on the position of the authorities and the courts on most subjects. The Management believes that the interpretation of the relevant legislation it has used is correct and the Company has complied with all regulatory requirements regarding the accrual and payment of taxes.

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*Allowance for expected credit loss (ECL) for trade receivables*

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Company’s historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information.

The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company’s historical credit loss experience (nil) and forecast of economic conditions (based on Moody’s reports) may also not be representative of customer’s actual default in the future. As of 31 December 2022 and 2021 the amount of ECL for the trade receivables of the Company comprised nil hryvnia.

*Provisions and contingent liabilities*

The Company pays significant attention to estimation and recognition of provisions and possible contingent liabilities related to litigation or other unresolved claims that are subject to resolution through negotiation, mediation, arbitration or government settlement. Judgments are required to estimate the probability of incurring a liability and to quantify the probable range of the final amount required to settle the obligation. Due to the inherent uncertainty of the assessment process, actual losses may differ from the originally estimated collateral. Estimates may vary depending on new information, primarily from internal specialists, or from external consultants such as actuaries or legal advisers. Changes in estimates may have a material effect on future operating results.

*Deferred tax assets*

Deferred tax assets are recognized for all temporary differences that are deductible to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilized. Significant management judgments are required to determine the amount of a deferred tax asset that can be recognized based on the probable timing and amount of future taxable income, taking into account the current tax planning strategy.

5. Summary of significant accounting policies

**Foreign currency translation**

The Company’s financial statements are presented in Ukrainian hryvnias, which is both the Company’s functional and presentation currency. Foreign currency transactions are recorded at the exchange rate of the National Bank of Ukraine (NBU) set on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into UAH at the official exchange rate set by the NBU at the reporting date. Exchange differences arising on the translation of monetary assets and liabilities into the Company's functional currency are included in the income statement. Non-monetary items denominated in foreign currencies that are measured at historical cost are retranslated at the exchange rate at the date of the transaction.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at purchase price, costs directly attributable to bringing the asset into operation and unrecoverable taxes (including VAT). Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period 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 the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify 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 statement of profit or loss in the expense category that is consistent with the function of the intangible assets. The useful life of intangible assets is from 2 to 10 years, depending on the type of asset.

Gains or losses arising on derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement at the moment of derecognition.

**Property, plant and equipment**

Property, plant and equipment include leasehold improvements, computer equipment, vehicles, office equipment and furniture, electrical equipment, construction in progress and right of use assets. Below is stated accounting policy for all property, plant and equipment, except for right of use assets. Accounting policy for right of use assets is disclosed in a separate section (*Leases*) inNote 5.

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Upon initial recognition, the cost of property, plant and equipment is allocated to significant components, each of them is depreciated separately. The cost of property, plant and equipment includes the cost of acquisition, as well as non-refundable taxes (including VAT).

Major spare parts and stand-by equipment qualify as property, plant and equipment when they are expected to be used during more than one period.

Repair and maintenance expenditure is expensed as incurred. Major renewals and improvements are capitalised, and the assets replaced are retired. Gains and losses arising from the retirement of property, plant and equipment are included in the profit or loss as incurred.

When each major inspection is performed, its cost is recognised as a component in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

Costs incurred for assets under construction are capitalised in property, plant and equipment as construction in progress. Construction in progress includes cost of construction works, cost of engineering works, other direct costs, and appropriate proportion of overheads if the recognition criteria are met. On completion, the cost of construction is transferred to the appropriate category of property, plant and equipment. Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Depreciation is calculated on a straight-line basis over the estimated useful life and commences when the asset is ready for use. The Company applied the following useful lives of property, plant and equipment:

|  |  |
| --- | --- |
|  | Useful life (years) |
| Leasehold improvements | According to the terms of the lease agreement, but not more than 17 |
| Computer equipment | 3-5 |
| Vehicles | 5 |
| Electrical equipment | 5 |
| Office equipment and furniture | 5 |
| Other | 3-5 |

The Company regularly reviews the residual useful lives of property, plant and equipment. Changes in estimates are accounted for prospectively.

A fixed asset is derecognised upon disposal or when no further economic benefits are expected from its use or disposal. Gains or losses arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) are included in the income statement in the period in which the asset is derecognised.

**Leases**

*Right-of-use assets*

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The cost of right-of-use assets also includes an estimate of the costs to be incurred by the lessee in dismantling and returning the underlying asset, restoring the location where it is located, or restoring the underlying asset to the required condition under the lease, unless such costs are incurred to produce inventories. The lessee's liability for such costs arises either on the commencement date of the lease or as a result of using the underlying asset for a specified period.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If, at the end of the lease term, ownership of the leased asset is transferred to the Company or if the original cost of the asset reflects the fulfillment of the acquisition, the asset is depreciated over its expected useful life.

*Lease liabilities*

At the date of commencement of the lease, the Company measures the lease liability at the present value of lease payments not paid on that date. Rental payments include:

* fixed payments (including essentially fixed payments) less any rental incentives to be received,
* variable lease payments that depend on an index or rate that were initially measured using that index or rate at the date the lease began,
* amounts expected to be paid under liquidation value guarantees,
* the cost of the acquisition, if there is reasonable assurance that the Company will take advantage of the opportunity; and
* payments on account of fines for termination of the lease, if the lease term reflects the realization by the Company of the possibility of termination of the lease.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

*Short-term leases and leases of low-value assets*

The Company has decided to apply the lease exemption offered by IFRS 16, namely: leases of low-value assets and short-term leases (ie leases for up to 12 months).The Company has determined the value criterion for the classification of low-value assets in the amount of UAH 35 thousand.

Accordingly, payments under such leases are recognized as an expense in the income statement on a straight-line basis over the term of the lease.

**Impairment of non-financial assets**

The Company assesses at each reporting date whether there is an indication that an asset (or cash-generating unit (CGU) may be impaired. If any indication of impairment exists, an estimate of the asset’s recoverable amount is calculated. An asset’s recoverable amount is the higher of an asset’s or CGU’s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets in which case, the asset is tested as part of a larger CGU it belongs to. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset/CGU is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset/CGU. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognised in profit or loss within other expenses.

For assets/CGUs an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset’s or CGU’s recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s/CGU’s recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset/CGU is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset/CGU in prior years. Such reversal is recognised in profit or loss.

#### Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost of raw materials and other supplies consists of the purchase price and, where applicable, those expenses that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the FIFO (first in – first out) method.

Net realizable 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.

**Financial assets**

*Initial recognition and valuation*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit and loss.

Classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Company’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through other comprehensive income, transaction costs.

At initial recognition trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding.

The Company’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

*Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

financial assets at amortised cost (debt instruments);

* financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
* financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
* financial assets at fair value through profit or loss.

As at 31 December 2022 and 2021, the Company’s financial assets comprised solely financial assets at amortised cost (debt instruments).

The Company measures financial assets at amortised cost if both of the following conditions are met:

* the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
* the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment test. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

*Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

* the rights to receive cash flows from the asset have expired; or
* the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company recognises an allowance for expected credit loss (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

*Initial recognition and valuation*

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated by the Company as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value less, in the case of loans and borrowings, directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and lease liabilities..

After initial recognition, trade and other payables with fixed maturity are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any transaction costs and any discount or premium on settlement.

The measurement of lease liabilities is described in the "*Leases*" section of the basic accounting policies.

*Derecognition*

A financial liability is derecognised when the obligation under the liability is settled, i.e. discharged or cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit and loss.

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:

* there is a currently enforceable legal right to offset the recognised amounts; and
* there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a contractual maturity of three months or less.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and short-term deposits net of bank overdrafts, if any.

Provisions

Provisions are recognised when the Company 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 amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Dividends

Dividends are recognized as liabilities and deducted from equity in the period when declared. During the reporting period no dividends were declared or paid.

**Revenue from contracts with customers**

Revenue from contracts with customers is recognised at the point in time when control of the goods or services is trasferred to the customer and in the amount of consideration to which the Company will be entitled in exchange for transferring the goods and services to the customer. The Company concluded that it acts as principal in the contracts with customers as it controls the goods and services until they are transferred to the customers. The contracts with customers do not contain variable consideration (right of return the goods, rebates etc.) and possibility of non-cash consideration.

The Company has decided to apply the practical approach required by IFRS 15 and not to deduct a financial element from the amount of compensation payable by customers if the Company receives short-term advances from customers.

The following criteria must be met before the revenue is recognised:

*Rendering of services*

Revenue from the rendering of services that is either from principal activity, or related to the principal activity is recognized in the period in which the services were rendered. For services with the pre-determined scope of work in quantitative terms (e.g., hours), revenue is estimated and recognized based on the actual consumption of services by customer. If the services consist of performing of undetermined number of actions (operations) during a certain period of time, the income is recognized on straight-line basis during the period of time.

**Contract balances**

*Contractual asset*

A contractual asset is the entity's right to compensation for goods and services provided to a customer. If the Company transfers goods and services to a customer before the customer pays compensation or before the date of payment of such compensation, the Company records the contract as a contractual asset, except for any amounts recorded as receivables.

*Accounts receivable*

Accounts receivable are the Company's right to compensation, which is unconditional (i.e. only a passage of time is required for such compensation to be paid). Accounting for receivables is described in more detail in the section "*Financial assets*" of the basic principles of accounting policy.

*Contractual obligation*

A contractual obligation is an obligation of the Company to transfer goods or services to a customer for which the Company has received compensation (or is due to pay such amount) from the customer. Contractual obligations are recognized as revenue when the Company is discharging its obligations under the contract (i.e. it transfers control of the goods or services to the buyer).

**Finance income**

Finance income includes interest income accrued on cash balances on deposit, current and other banking institutions accounts, as well as interest income from the application of the effective interest method on financial assets.

**Taxes**

*Current income tax*

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The current income tax charge of the Company and its subsidiaries is calculated in accordance with Ukrainian taxation regulations and is based on the taxable income and tax allowable expenses reported by the Company in its tax returns. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred income tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except for differences arising on the initial recognition of an asset or liability in a transaction that has no effect on accounting or taxable profit (tax loss).

Deferred income tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised, except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

*Value-added tax*

Revenues, expenses, assets and liabilities are recognised net of the amount of value-added tax, except:

* when the value-added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value-added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable;
* receivables and payables that are stated with the amount of value-added tax included.

**Contingent liabilities**

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

6. Intangible assets (lines 1000, 1001, 1002)

The movement of intangible assets for the years ended 31 December 2022 and 2021 was as follows:

|  |  |
| --- | --- |
| **Historical cost:** |  |
| **As at 1 January 2021** | **98,412** |
| Additions | 22,298 |
| Disposals | - |
| **As at 31 December 2021** | **120,710** |
| Additions | 29,587 |
| Disposals | (1,349) |
| **As at 31 December 2022** | **148,948** |
|  |  |
| **Accumulated amortization:** |  |
| **As at 1 January 2021** | **(69,877)** |
| Charge for the year | (27,258) |
| Disposals | - |
| **As at 31 December 2021** | **(97,135)** |
| Charge for the year | (23,484) |
| Disposals | 1,349 |
| **As at 31 December 2022** | **(119,270)** |
|  |  |
| **Net book value:** |  |
| **As at 1 January 2021** | **28,535** |
| **As at 31 December 2021** | **23,575** |
| **As at 31 December 2022** | **29,678** |

Intangible assets comprised from software licenses. Intangible assets with the historical cost of UAH 93,937 thousand were fully amortized but still in use as at of 31 December 2021 (31 December 2021: UAH 60,184 thousand).

7. Property, plant and equipment and construction in progress (lines 1005, 1010)

|  |  |  |
| --- | --- | --- |
|  | **31 December 2022** | **31 December 2021** |
| Property, plant and equipment (line 1010) | 380,154 | 598,517 |
| Construction in progress (line 1005) | 4,480 | 4,259 |
| **Total** | **384,635** | **602,776** |

The movement in property, plant and equipment during the years ended 31 December 2022 and 2021 is the following:

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Leasehold improvements** | **Computer equipment** | **Vehicles** | **Office equipment and furniture** | **Electrical equipment** | **Other** | **ROA\*** | **CIP\*\*** | **Total** | |
| **Cost:** | |  |  |  |  |  |  |  | |  |
| **At 1 January 2021** | **175,247** | **454,134** | **1,095** | **145,548** | **11,203** | **3,532** | **801,649** | **3,536** | | **1,595,944** |
| Additions | 35,002 | 155,497 | - | 62,021 | - | - | - | 723 | | 253,243 |
| Disposals | (10,190) | (16,320) | - | (2,896) | - | (30) | (82,533) | - | | (111,969) |
| **At 31 December 2021** | **200,059** | **593,311** | **1,095** | **204,673** | **11,203** | **3,502** | **719,116** | **4,259** | | **1,737,218** |
| Additions | 4,119 | 97,075 | - | 12,551 | - | - | 122,302 | 221 | | 236,268 |
| Modification | - | - | - | - | - | - | (18,268) | - | | (18,268) |
| Disposals | - | (13,872) | - | (1,023) | - | - | (128,236) | - | | (143,131) |
| **At 31 December 2022** | **204,178** | **676,514** | **1,095** | **216,201** | **11,203** | **3,502** | **694,914** | **4,480** | | **1,812,087** |
|  |  |  |  |  |  |  |  |  |  | |
| **Accumulated depreciation:** |  |  |  |  |  |  |  |  |  | |
| **At 1 January 2021** | **(103,366)** | **(329,142)** | **(894)** | **(94,308)** | **(6,394)** | **(2,630)** | **(384,813)** | **-** | **(921,547)** | |
| Charge for the year | (34,423) | (101,865) | (201) | (26,913) | (1,167) | (480) | (159,555) | - | (324,604) | |
| Disposals | 10,190 | 16,194 | - | 2,762 | - | 30 | 82,533 | - | 111,709 | |
| **At 31 December 2021** | **(127,599)** | **(414,813)** | **(1,095)** | **(118,459)** | **(7,561)** | **(3,080)** | **(461,835)** | **-** | **(1,134,442)** | |
| Charge for the year | (38,310) | (114,908) | - | (35,743) | (1,015) | (343) | (139,560) | - | (329,969) | |
| Modification | - | - | - | - | - | - | 12,155 | - | 12,155 | |
| Disposals | - | 13,822 | - | 802 | - | - | 10,179 | - | 24,803 | |
| **At 31 December 2022** | **(165,909)** | **(515,899)** | **(1,095)** | **(153,400)** | **(8,666)** | **(3,423)** | **(579,061)** | **-** | **(1,427,453)** | |
| **Net book value:** | |  |  |  |  |  |  |  |  | |
| **At 1 January 2021** | **71,881** | **124,992** | **201** | **51,240** | **4,809** | **902** | **416,836** | **3,536** | **674,397** | |
| **At 31 December 2021** | **72,460** | **178,498** | **-** | **86,214** | **3,642** | **422** | **257,281** | **4,259** | **602,776** | |
| **At 31 December 2022** | **38,269** | **160,615** | **-** | **62,801** | **2,537** | **79** | **115,853** | **4,480** | **384,634** | |

\*ROA – Right-of-use asset

\*\*CIP – Construction in progress

Property, plant and equipment with the historical cost of UAH 477,251 thousand were fully depreciated but still in use as at of 31 December 2022 (31 December 2021: UAH 378,558 thousand).

In 2022, the lessor and the Company agreed that during the period of martial law, the rental rate will be set on a monthly basis. Accordingly, the management came to the conclusion that the lease contracts for this office space should be accounted for as contracts with a variable lease rate, that is, as an operating lease, so the Company derecognized the rights to lease assets of UAH 116,187 thousand (net book value) and lease liability of UAH 121,344 thousand. The net result from the derecognition amounted to UAH 5,157 thousand and was presented in other income.

As of 31 December 2022 and 2021, management did not identify indicators of impairment of fixed assets.

8. Trade and other receivables (lines 1125, 1135, 1145, 1155)

Trade and other receivables as at 31 December 2022 and 2021 comprised of:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **31 December**  **2022** |  | **31 December**  **2021** |
| Accounts receivable for goods and services (line 1125) | 2,073 |  | 2,911 |
| Prepaid taxes and charges (line 1135) | 638 |  | 648 |
| Accounts receivable from related parties (line 1145) (Note 14) | 2,959,011 |  | 1,530,574 |
| Other accounts receivable (line 1155) | 315 |  | 615 |
| **Total** | **2,962,037** |  | **1,534,748** |

Trade and other receivables are non-interest bearing and are generally settled on 30-180 days’ term.

The ageing analysis of trade and other receivables is as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | *Total* | *Neither past due nor impaired* | *Past due but not impaired* |
| 31 December 2022 | | 2,961,084 | 2,961,084 | - |
| 31 December 2021 | | 1,533,485 | 1,533,485 | - |
| Expected credit loss rate: | | | | |
| 31 December 2022 |  | | 0.0% | 0.1% |
| 31 December 2021 |  | | 0.0% | 0.1% |

9. Cash and cash equivalents (line 1165)

|  |  |  |  |
| --- | --- | --- | --- |
|  | **31 December 2022** |  | **31 December 2021** |
| Cash at banks (i) | 75,705 |  | 100,078 |
| Allowance for expected credit loss | (718) |  | (949) |
| **Total** | **74,987** |  | **99,129** |

*(і) Cash at banks accounts*

The Company keeps current bank accounts with Ukrainian banks, which have satisfactory credit ratings. The balances on these accounts bear interest at rates varying from 4.5% to 8.5% p.a. (2021: from 2% to 4.6% p.a.).

10. Other current assets (line 1190)

Other current assets comprised of short-term interest-free loans granted to individuals in the amount of UAH 5,386 thousand (31 December 2021: UAH 6,355 thousand), unconfirmed value added tax receivable of UAH 1,615 thousand (31 December 2021: UAH 1,829 thousand) and other assets of UAH 16 thousand as at 31 December 2022 (31 December 2021: UAH 17 thousand).

11. Other non-current liabilities (line 1515) and Other current liabilities (line 1690)

As at 31 December 2022 and 2021, other long-term liabilities (line 1515) and other current liabilities (line 1690) comprised mainly of liabilities for office lease. Liabilities are stated at amortized cost using a weighted average borrowing rate of 7% p.a.

The movements in lease liabilities were as follows:

|  |  |  |
| --- | --- | --- |
|  | **2022** | **2021** |
|  |  |  |
| **As at 1 January** | **261,031** | **433,597** |
| Additions | 114,869 | - |
| Finance cost for the period (Note 21) | 16,293 | 23,484 |
| Lease modification effect | (24,271) | - |
| Derecognition (Note 7) | (121,344) | - |
| Translation difference from conversion UAH to USD | 66,197 | (14,461) |
| Payment of liability | (180,139) | (181,589) |
| **As at 31 December** | **132,636** | **261,031** |
|  |  |  |
| Current | 129,288 | 154,264 |
| Non-current | 3,348 | 106,767 |
| **Total** | **132,636** | **261,031** |

In 2022, the Company had total cash outflows for leases of UAH 201,391 thousand (2021: UAH 181,589 thousand), including payment of lease with variable rate – UAH 21,252 thousand. The maturity analysis of lease liabilities is disclosed in Note 24.

The following are the amounts recognised in profit and loss:

|  |  |  |
| --- | --- | --- |
|  | **2022** | **2021** |
|  |  |  |
| Depreciation expense of right-of-use assets (Note 7) | 139,560 | 159,555 |
| Rent expenses at a variable rate recognized as part of the cost of sales | 21,252 | - |
| Finance cost (Note 21) | 16,293 | 23,484 |
| Expenses relating to leases of low-value assets | 524 | 1,420 |
| **Total** | **177,629** | **184,459** |

The Company also recognized UAH 56,838 thousand of gain from rent concessions during 2022 (2021: nil) in other income.

12. Trade and other payables (lines 1615, 1620, 1630)

Trade and other payables comprised of:

|  |  |  |
| --- | --- | --- |
|  | **31 December 2022** | **31 December 2021** |
| Trade payables for goods and services (line 1615) | 22,545 | 13,338 |
| Payables to tax authorities (line 1620) | 39,335 | 26,566 |
| Payroll payable (line 1630) | 176 | - |
| **Total** | **62,056** | **39,904** |

Trade and other payables are non-interest bearing and are normally settled within 30 days. Accounts payable denominated in foreign currency amounted to UAH 6 thousand as at 31 December 2022 (31 December 2021: UAH 1,382 thousand).

13. Current provisions (line 1660)

Changes in current provisions during the period are disclosed below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Provision for the payment of bonuses and incentives** | **Provision for unsigned acts with suppliers of goods, works and services** | **Provision for unused vacation** | **Total** |
| **At 31 December 2021** | **10,440** | **13,413** | **10,435** | **34,288** |
| Accruals | 147,346 | 113,319 | 17,490 | 278,155 |
| Payments | (21,616) | (79,726) | (3,400) | (104,742) |
| **At 31 December 2022** | **136,170** | **47,006** | **24,525** | **207,701** |

14. Settlements with related parties (line 1145)

Related parties include, in particular, entities under control or significant influence of the Company’s ultimate owners, the management and other entities and individuals that meet the definition of a related party under IAS 24 “Related Party Disclosures”.

In 2022, the key management personnel consisted of 4 individuals (2021: 4 individuals). Remuneration of the key management personnel (including salaries, bonuses, incentive payments and social security charges) amounted to UAH 21,633 thousand in 2022 (2021: UAH 67,239 thousand) and was included in administrative expenses.

The balances with related parties were as follows:

|  |  |  |
| --- | --- | --- |
| **Assets** | **31 December 2022** | **31 December 2021** |
| *Entities under common control* |  |  |
| Accounts receivable for software development and testing services | 2,957,666 | 1,518,845 |
| Accounts receivable (reimbursement of cost of equipment under commission agreements) | 1,306 | 11,353 |
| Accounts receivable (commission fee) | 39 | 376 |
| **Total** | **2,959,011** | **1,530,574** |
| Allowance for expected credit loss | - | - |
| **Total (line 1145)** | **2,959,011** | **1,530,574** |

Transactions with related parties were the following:

|  |  |  |
| --- | --- | --- |
|  | **2022** | **2021** |
| Revenue from software development and testing services | 11,505,674 | 7,701,780 |
| Commission fee | 297 | 761 |
| **Total** | **11,505,971** | **7,702,541** |

**Terms of transactions with related parties**

*(i) Revenue from services and trade accounts receivable*

Trade accounts receivable from related parties are unsecured, interest-free and, usually, is settled with cash within two months. Allowance for expected credit loss for trade accounts receivable from related parties was nil as of 31 December 2022 and 2021.

15. Income tax

The components of the income tax expenses were as follows:

|  |  |  |
| --- | --- | --- |
|  | **2022** | **2021** |
| Current tax charge | 295,015 | 130,817 |
| Deferred tax expense / (benefit) | 25,561 | (11,407) |
| **Total** | **320,576** | **119,410** |

Income tax is calculated using tax rate effective as at 31 December 2022 and 2021, namely 18%.

Reconciliation between the tax expenses above and the product of accounting profit multiplied by the statutory tax rate for the years ended 31 December is as follows:

|  |  |  |
| --- | --- | --- |
|  | **2022** | **2021** |
| Profit before tax | 1,459,165 | 590,389 |
| Theoretical income tax at the current rate | 262,650 | 106,270 |
| Non-deductible expenses and non-taxable income | 32,365 | 13,140 |
| Derecognition of deferred tax asset (i) | 25,561 | - |
| **Income tax expenses** | **320,576** | **119,410** |

(i) From November 2022, the Company became a resident of Diya City (according to the Law of Ukraine 1667-IX). Consequently, from January 2023, the Company ceased to be an income taxpayer at general conditions. From 2023, certain operations of the Company will be subject to tax on capital withdrawn at a rate of 9%.

Due to certain differences between tax accounting rules and IFRS accounting, there are temporary differences between the carrying amount of certain assets and liabilities for financial reporting purposes and their value for the purposes of determining the tax base. The tax effects of changes in these temporary differences are as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Asset/(Liability)** | **Asset/(Liability)** | **Asset/(Liability)** | **Benefits/**  **(charge)** | **Benefits/**  **(charge)** |
|  | **31 December 2022** | **31 December 2021** | **1 January 2021** | **2022** | **2021** |
| **Deferred income tax assets** |  |  |  |  |  |
| Property, plant and equipment (іі) | - | 14,952 | 6,251 | (14,952) | 8,701 |
| Intangible assets (іі) | - | 8,195 | 6,035 | (8,195) | 2,161 |
| Trade and other payables (і) | - | - | - | - | - |
| Provisions (ііі) | - | 2,414 | 1,869 | (2,414) | 545 |
| **Deferred income tax assets** | **-** | **25,561** | **14,155** | **(25,561)** | **11,407** |
| **Deferred income tax liabilities** | **-** | **-** | **-** | **-** | **-** |
| **Deferred income tax benefits / (expenses)** |  |  |  | **(25,561)** | **11,407** |
| **Net deferred tax asset/(liability)** | **-** | **25,561** | **14,155** |  |  |

The nature of the temporary differences is as follows:

1. Trade and other payables - differences in period of recognition and valuation principles.
2. Property, plant and equipment and intangible assets - differences in estimated useful lives, differences in capitalization principles, different cost bases, etc.
3. Provisions - differences in the period of recognition of expenses.

16. Net revenue from sales of goods (merchandise, services) (line 2000)

|  |  |  |
| --- | --- | --- |
|  | **2022** | **2021** |
| Revenue from sales of works and services (foreign customers) | 11,505,971 | 7,702,541 |
| Revenue from sales of works and services (domestic customers) | 9,187 | 5,468 |
| **Total** | **11,515,158** | **7,708,009** |

In 2022 and 2021, 99% of the Company's total revenue were attributable to foreign customers which are related parties of the Company (Note 14). In 2022, the revenue from two individually significant customers amounted to UAH 11,505,971 thousand, which corresponds to 99% of the total revenue. In 2021, the revenue from four individually significant customers amounted to UAH 7,683,458 thousand, which corresponds to 99% of the total revenue.

17. Cost of goods sold (merchandise, services) (line 2050)

|  |  |  |
| --- | --- | --- |
|  | **2022** | **2021** |
| Software development and testing, data processing and informatization consultancy services provided by IT-engineers | 8,889,867 | 5,752,104 |
| Consulting and other professional services | 470,939 | 241,221 |
| Depreciation and amortization of fixed assets | 353,453 | 351,862 |
| Payroll and bonuses | 184,441 | 176,134 |
| Utilities and lease related expenses | 129,307 | 113,239 |
| Business trips | 18,420 | 2,524 |
| Materials and repair services | 6,906 | 5,920 |
| Other expenses | 75,571 | 82,444 |
| **Total** | **10,124,904** | **6,725,448** |

18. Other operating income, net (line 2120)

|  |  |  |
| --- | --- | --- |
|  | **2022** | **2021** |
| Foreign exchange gain | 468,622 | 11,257 |
| Fines received | 506 | 929 |
| Rental income | 334 | - |
| Other income | 19 | 369 |
| **Total** | **469,481** | **12,555** |

19. Administrative expenses (line 2130)

|  |  |  |
| --- | --- | --- |
|  | **2022** | **2021** |
| Consulting and other professional services | 321,763 | 198,134 |
| Payroll and related charges | 101,264 | 114,229 |
| Business meetings and representation expenses | 1,232 | 12,417 |
| Business trips | 555 | 3,183 |
| Other expenses | 220 | 1,900 |
| **Total** | **425,034** | **329,863** |

The cost of statutory audit is included in consulting and other professional services.

20. Other operating expenses, net (line 2180)

|  |  |  |
| --- | --- | --- |
|  | **2022** | **2021** |
| Taxes and charges | 24,244 | 32,925 |
| Other expenses | 729 | 933 |
| **Total** | **24,973** | **33,858** |

21. Finance income and finance expenses, net (lines 2220, 2250)

Finance income (line 2220) for the year ended 31 December included the following:

|  |  |  |
| --- | --- | --- |
|  | **2022** | **2021** |
| Interest income on deposits and other bank accounts | 10,219 | 4,947 |
| Unwinding of discount on lease guarantee (i) | 2,305 | 1,926 |
| **Total** | **12,524** | **6,873** |

(і) The Company recognized guarantee payments under lease agreements as financial assets at amortized cost (applied discount rates from 17% to 22% p.a.). Finance income from unwinding of discount comprised UAH 2,305 thousand in 2022 (2021: UAH 1,926 thousand).

Finance expenses (line 2250) for the year ended 31 December included the following:

In 2022, finance expenses (line 2250) comprised of effective interest rate expense on lease liability of UAH 16,293 thousand (2021: UAH 23,384 thousand).

22. Shareholder’s equity

*Share capital*

Authorized capital of the Company comprised 4,178,135 hryvnas and is wholly owned by the parent - "BONUS TECHNOLOGY INC.". As of 31 December 2022 and 2021, the authorized capital was fully paid by the Company's participant.

*Dividends declared*

During 2022 and 2021, the Company did not declared, nor paid dividends.

*Retained earnings*

In accordance with local legislation, the Company can distribute all profits earned as dividends or transfer them to reserves as specified in its charter. Subsequent use of amounts transferred to reserves may be legally restricted; amounts transferred to reserves typically must be used for the purpose designated when the transfer is made. Profit distributions by Ukrainian entities are typically made only from current or accumulated retained earnings but not from amounts already transferred to reserves.

23. Contractual and contingent liabilities

*Litigations*

In the ordinary course of business, the Company is exposed to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Company.

*Compliance with tax laws*

The Company operates in Ukraine, so most of its transactions are subject to Ukrainian tax law.The uncertainty and inconsistency in enforcement and application of Ukrainian tax laws increases risk of additional tax liabilities and penalties that the tax authorities may attempt to assess against the Company. In the course of business, the Company enters into related party transactions. The management believes that the Company has sufficient basis to support its compliance with transfer pricing regulations and does not consider the risk of additional penalties to be any more significant than that of similar businesses in Ukraine.

*Lease liabilities – Company as a lessor*

Future minimum lease payments under non-cancellable office lease agreements which the Company has entered at the relevant reporting date but not yet effective, are:

|  |  |  |
| --- | --- | --- |
|  | **31 December 2022** | **31 December 2021** |
| Within one year | - | 23,884 |
| After one year | - | 119,306 |
| **Total** | **-** | **143,190** |

24. Financial risk management objectives and policies

The Company's principal financial instruments comprise trade accounts receivable and payable, lease liabilities and cash that arise directly from its operations. Financial risk is managed by the Company's finance department. The main risks arising from the Company's financial instruments are liquidity risk, foreign currency risk and credit risk. Policies applied to manage each of these risks are summarized below.

*Liquidity risk*

The liquidity risk inherent in the Company's activities, may arise if the Company will have lack of liquid assets to meet its liabilities. To manage this risk, the Company analyzes ageing of its assets and maturity of its liabilities and plans its cash flows based on expected maturity of outstanding liabilities.

The table below summarises the maturity profile of the Company's financial liabilities at 31 December each year based on contractual undiscounted payments:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **31 December 2022** | **Less than 3 months** | **3 months to 1 year** | **1 to 5 years** | **Total** |
| Trade and other liabilities (lines 1615, 1620, 1630) | 62,056 | - | - | **62,056** |
| Other non-current liabilities | - | - | 4,863 | **4,863** |
| Other current liabilities | 46,321 | 106,480 | - | **152,801** |
| **Total** | **108,377** | **106,480** | **4,863** | **219,720** |
| **31 December 2021** |  |  |  |  |
| Trade and other liabilities (lines 1615, 1620, 1630) | 39,904 | - | - | **39,904** |
| Other non-current liabilities | - | - | 137,583 | **137,583** |
| Other current liabilities | 46,736 | 138,524 | - | **185,260** |
| **Total** | **86,640** | **138,524** | **137,583** | **362,747** |

*Foreign currency risk*

The Company conducts its operations mainly in the following currencies: Ukrainian hryvna, US dollar and Euro. The exchange rates of these currencies against the hryvna set by the National Bank of Ukraine were as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | *USD* |  | *EUR* |
| At 31 December 2022 | 36.5686 |  | 38.9510 |
| At 31 December 2021 | 27.2782 |  | 30.9226 |

Currency risk, which has the potential to have the greatest impact on the Company’s financial performance, is attributable to trade accounts receivable and current or non-current office lease liabilities, a part of which is denominated in foreign currency. To manage this risk, the Company constantly monitors foreign currency rates dynamics on foreign exchange markets.

The table below demonstrates the Company’s sensitivity (in relation to change in fair value of the monetary assets and liabilities) to a reasonably possible change in the foreign exchange rate, with all other variables held constant:

|  |  |  |
| --- | --- | --- |
| **31 December 2022** | **Increase/(decrease) in foreign exchange rate** | **Effect on profit**  **before tax** |
| Change in US Dollar/UAH exchange rate | 22% | (23,918) |
| Change in US Dollar/UAH exchange rate | -22% | 23,918 |
|  |  |  |
| **31 December 2021** |  |  |
|  |  |  |
| Change in US Dollar/UAH exchange rate | 14% | 163,029 |
| Change in US Dollar/UAH exchange rate | -11% | (128,094) |
|  |  |  |
| Change in EUR/UAH exchange rate | 15% | 1,139 |
| Change in EUR/UAH exchange rate | -13% | (987) |
|  |  |  |

*Credit risk*

The Company’s credit risk is associated with the default of the customers on their obligations and is limited to the carrying amount of the accounts receivable, other current and non-current assets and cash and cash equivalents.

The Company's credit risk attached to the outstanding accounts receivable is limited due to constant monitoring carried out by the management of the customers’ creditworthiness. The Company does not require collateral in respect of its financial assets. The management considers Company’s exposure to credit risk as insignificant, as the share of services provided to related parties exceeds 99% from total revenues.

When available cash exceeds working capital needs, the Company may place free cash on bank deposit accounts. The Company opens deposit accounts in banks with a satisfactory credit rating.

*Capital management*

The Company's capital is managed by the parent on a corporate-wide basis to ensure adequate funding of operational needs and investment programs of all subsidiaries. Under the established policy, the Company considers shareholders’ equity and net debt as the primary capital sources. Net debt consists of accounts payable, adjusted for cash and cash equivalents.

25. Fair values of financial instruments

The fair value of the financial instruments 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. In estimating the fair values of financial instruments, the Company applies various methods and assumptions based on market conditions prevailing at the reporting date.

The carrying amount of financial assets and liabilities with a maturity of less than one year, less any expected adjustments, is considered to be their fair value. The fair value of non-current financial assets and liabilities is measured by discounting future cash flows under contracts with current market interest rates available to the Company for similar financial instruments (level 2 in the fair value hierarchy). The fair value of long-term financial assets and liabilities as at 31 December 2022 is UAH 27,506 thousand and UAH 3,348 thousand, respectively (31 December 2021: UAH 24,650 thousand and UAH 106,767 thousand, respectively).

26. Events after the reporting period

After the end of the reporting period, there were no significant events that have an impact on these financial statements.