

**UKRAINIAN SAWMILL HOLDING COMPANY
LIMITED**

**Financial statements in accordance with International
Financial Reporting Standards** for the year ended 31 December
2020 with Management report and Independent auditor's report

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I. ORGANIZATIONAL STRUCTURE AND DESCRIPTION

General information about the Company

Ukrainian Sawmill Holding Company LLC (EDRPOU code 39325379) (here and after – the Company) was created and registration in compliance with the requirements of law July 29, 2014 year. Company registration address: 01034 Kyiv, Yaroslaviv Val 38 street. Address of the production facilities: 11501, Zhytomyr region., Korosten, S. Kemsy 11-T street. The production capacity of the Company is one of the largest in Europe and is located in an area of 42.2512 hectares.

The main activity of the Company according to the classifier of economic activities is 16.10 "Sawmilling and planing of wood". As of the date of the report, the Company has no separate divisions, branches, etc. There are no securities.

The share capital of the Company is UAH 943,673 thousand and divided between participants as follows:

Description	Amount, UAH thousand	% in Share capital
Giourousef Leonidas	47,498	5,0334%
Yurusheva Natalia Dmitrievna	47,500	5,0335%
Zholynska Anastasia Leonidivna	47,500	5,0335%
Yurusheva Elizaveta Leonidivna	47,500	5,0335%
VZNKIF Unibudinvest PJSC	753,675	79,8661%
TOTAL:	943,673	100

The ultimate beneficial owners of the Company are:

Yurusheva Natalia Dmitrievna – Citizen of Ukraine;
Zholynska Anastasia Leonidivna – Citizen of Ukraine;
Yurusheva Elizaveta Leonidivna – Citizen of Ukraine;

Description of the activity and products of the Company

The main activities of the Company are:

NACE 16.10 Sawmilling and planing of wood (general);
NACE 16.23 Manufacture of other builders carpentry and joinery;
NACE 46.13 Agents involved in the sale of timber and building materials;
NACE 80.10 Activities of private security services;
NACE 46.73 Wholesale of wood, construction materials and sanitary equipment;
NACE 46.90 Non-specialized wholesale trade;
NACE 49.41 Freight transport by road;
NACE 68.20 Renting and operating of own or leased real estate;
NACE 35.30 Steam and air conditioning supply.

The main products by the Company are sawn timber - board, bar, beam. Board - lumber up to 100 mm thick and more than twice as thick. Bar - lumber up to 100 mm thick and not more than twice as thick. Beam - lumber with a thickness and width of 100 mm or more. Lumber is made of 1-5 grades, length from 840 mm to 5,100 mm, thickness from 16 mm to 190 mm, width from 60 mm to 305 mm. The gradation in thickness and width is 1 mm, in length 5 mm. Lumber is made with a moisture content of 8% - 20%.

By-products of sawmill production of the Company are technological chips, sawdust and bark.

Areas of application of lumber produced by the Company

Edged timber occupies a special place in construction work, as they are well machinable. They are used for the construction of houses, baths, roofing works, finishing works, in the manufacture of doors, windows, floors, walls, stairs. Lumber is also used in furniture production, for the manufacture of packaging products. Some products are suitable for laying floors, others - for load-bearing structures, and the third - for decorative decoration of residential and non-residential buildings.

The size and grade of lumber affect the scope of application. Each sort has its characteristics: resistance to moisture, drying, strength. Pine lumber is very easy to operate.

There are different:

- lightweight (do not create additional burden on the foundation);
- high strength (can be used both for processing and for creation of load-bearing designs);
- easy and convenient in the installation;
- ease of processing;
- excellent sound insulation;
- low thermal conductivity;
- resistance to deformation and rot;
- resistance to moisture.

The products of the Company are exported to more than 20 countries of the world, data on the main countries of buyers products are listed below:

Romania	India	Philippines	China	Sri Lanka	South Korea	Estonia	Israel	Jordan	Turkey	Other
43,5%	16,7%	8,0%	7,1%	5,6%	3,0%	2,9%	1,8%	1,8%	1,8%	7,4%

The main competitors of the Company:

- West Fraser Timber Co LTD – Canada, USA;
- Canfor – Canada, USA;
- Stora Enso – Poland, Sweden, Latvia, Russia, Finland, Lithuania, Estonia, Czech Republic;
- Interfor – Canada, USA;
- Arauco – Chile, Argentina, Uruguay;
- HS Timber Productions – Romania;
- Binder Holts – Austria;
- Ilim Group – Russia;
- Metsa group – Finland;
- Igirma Tairicu – Russia;
- UPM – Sweden;
- Ukrainian sawmills LLC – Ukraine, Rivne region, Kostopel;
- Vanesa LLC - Ukraine, Chernihiv region, Koriukivka;
- SLAVIC WALLPAPERS – KFTP LLC - Ukraine, Chernihiv region, Koriukivka;
- Polissia 2002 LLC - Ukraine, Zhytomyr region, Malyniv;
- Forest Technology LLC – Ukraine, Zhytomyr region, Malyniv;
- Verba VV LLC - Ukraine, Volyn region;
- MAG Group LLC – Ukraine, Zhytomyr;
- Baobab Group LLC - Ukraine, Zhytomyr region, Narodyske;
- Barlinek – Ukraine, Vinnytsia region.

Purchase of raw materials

The Company procures timber in state and municipal forestries of nine regions of Ukraine: Zhytomyr, Kyiv, Rivne, Chernihiv, Khmelnytsky, Volyn, Sumy, Poltava. In 2020, the purchase of timber was carried out in 70 forestries.

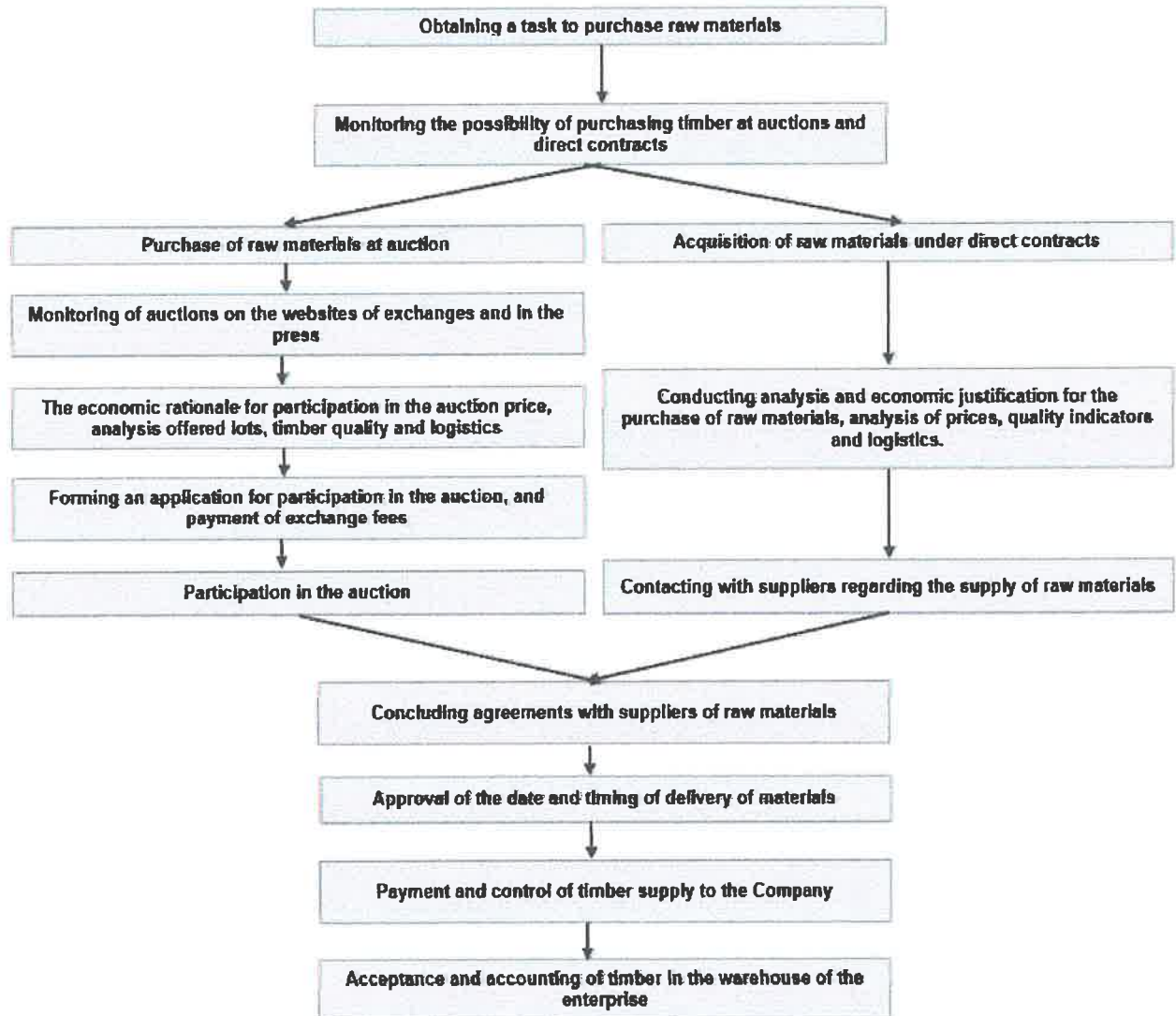
Regions of round timber purchase by geographical location.



THE COMPANY is certified according to a series of standards FSC: FSC-STD-40-004 V3 and FSC-STD-40-005 V3, which gives the Company the right to certify the principles of forestry in accordance with international standards and requirements for safe logging. Raw materials are supplied from two sources in a ratio of 80% - from FSC-certified forestries and 20% - from non-certified forestries. According to the implemented standard of controlled wood FSC-STD-40-005 V3, the Company controls non-certified suppliers through continuous audits.

The process of purchasing forest raw materials

Scheme of timber procurement process of The Company



The Company was designed with the participation of leading global developers and has the latest equipment, including:

- Boiler plant with water heaters running on biofuels "URBAS" made in Austria was installed in 2016. Drying capacity – 20 MW.
- The automated sorting line of roundwood HOLTEK made in Germany was installed in 2016. The production capacity is 1,200 thousand m³ round materials per year.
- The automated roundwood sawing line LINCK made in Germany was installed in 2016. The production capacity of spraying is 1,200 thousand m³ round materials per year. Scheduled issue planks are 54%
- The automated sorting line of raw and dry lumber SPRINGER made in Austria was installed in 2016. The production capacity for sorting 600 thousand m³ raw lumber per year.
- The automated lumber drying chambers MUHLBOCK made in Austria were installed in 2016-2019. The production capacity for drying - 300 thousand m³ lumber per year.
- The automated sharpening machines for cutting tools VOLLMER and GOCKEL made in Germany, installed in 2016

Organizational structure

Management of the Company:

Director, subordinate to him:

- Head of the technical department - operation and repair engineer;
- Chief mechanic;
- Head of the wood sorting section - head of the forest raw materials warehouse;
- Head of a production of lumber production site;
- Specialist of the production planning sector;
- Chief power engineer;
- Acting head of the auto industry - manager of transport and forwarding activities;
- Acting head of the labor protection department
- Acting head of the fire and rescue department
- Acting Human Resources Manager
- Acting head of the quality control department;
- Head of the warehouse of goods and materials;
- Head of the commercial department;
- Deputy Director for Economic Affairs;
- Acting head of the legal department - senior legal adviser;
- Head of the security service;
- Financial and economic security analyst;
- Chief Accountant.

The Company include:

1.1. Timber production site, which consists of:

- production planning sector;
- wood sawing production sector;
- production sector of sorting and packaging;
- production sector of drying chambers;
- pallet manufacturing site;
- timber warehouse.

1.2. Wood sorting section, which includes timber.

2. Department of Chief Power Engineer, consisting of:

- 2.1. Automation service;
- 2.2. Energy supply service;
- 2.3. Information Technology Service;
- 2.4. Boiler house;
- 2.5. System management and maintenance service.

3. Department of Chief Mechanic:

- automotive industry;
- service of aspiration and ventilation systems.

4. Departments:

- 4.1. Administration;
- 4.2. Health and safety department;
- 4.3. Fire and security department;
- 4.4. Human Resources department;
- 4.5. Commercial department, which consists of:
 - logistics sector, supply sector, sales and marketing sector;
- 4.6. Procurement Department of forest raw material;
- 4.7. General services department;
- 4.8. Legal department;
- 4.9. Quality control department;
- 4.10. Accounting department;
- 5. Goods and material warehouse.
- 6. Security department.

Those charged with governance in accordance with articles of association:

The governing body of the Company is the general meeting of participants. They consist of members of the Company or their appointed representatives. Representatives of the participants may be permanent or appointed for a fixed term. A participant has the right to replace his representative at the general meeting of participants at any time by notifying the other participants. A member of the Company has the right to transfer his / her powers at the meeting to another participant or to a representative of another member of the Company. Participants have the number of votes proportional to the size of their shares in the authorized capital. The General Meeting of the Company elects the Chairman of the Company.

The exclusive competence of the General Meeting of the Company includes:

Determining the main activities of the Company and approval of its plans and reports on their implementation:

- 1) determination of the main directions of the Company's activity;
 - 2) making changes to the Company's charter, making a decision on the Company's activities on the basis of the model charter;
 - 3) change in the size of the authorized capital of the Company;
 - 4) approval of the monetary value of the participant's non-monetary contribution;
 - 5) redistribution of shares between the participants of the Company in the cases provided by this Law;
 - 6) election of the sole executive body of the Company or members of the collegial executive body (all or separately one or more of them), establishment of the amount of remuneration to the members of the executive body of the Company;
 - 7) determination of forms of control and supervision over the activities of the executive body of the Company;
 - 8) creation of other bodies of the Company, determination of the order of their activity;
 - 9) decision-making on the acquisition by the Company of a share (part of a share) of a participant;
 - 10) approval of the results of the Company's activities for the year or other period;
 - 11) distribution of the Company's net profit, decision-making on the payment of dividends;
 - 12) making decisions on separation, merger, division, accession, liquidation and transformation of the Company, election of the commission on termination (liquidation commission), approval of the order of termination of the Company, the order of distribution between the participants in case of its liquidation satisfaction of creditors' claims, approval of the Company's liquidation balance sheet;
 - 13) adoption of other decisions referred by this Law to the competence of the general meeting of participants.
- Other issues may be referred to general meeting.

The executive body of the Company, which manages its current activities, is the Director.

The Director decides on all issues of the Company's activities, except for those that fall within the exclusive competence of the general meeting of participants. The General Meeting of the Company's participants may decide to transfer part of the powers belonging to them to the competence of the Director.

The director is accountable to the general meeting of participants and organizes the implementation of their decisions. The Director is not entitled to make decisions that are binding on the members of the Company.

The director is elected for a term of 1 (one) year. Annually, the General Meeting of the Company decides on the appointment, removal or extension of the powers of the Director. The Director acts on behalf of the Company within the limits established by the legislation of Ukraine by the constituent documents.

The Director has the right to perform actions on behalf of the Company without a power of attorney.

The director cannot be the chairman of the general meeting of the Company's participants at the same time.

Director:

- ensures the implementation of the decisions of the General Meeting of Participants;
- develops current plans of the Company's activities and measures necessary to solve its tasks;
- approves the annual budget, staffing and salaries of employees, sets the indicators, terms and amount of their bonuses;
- hires and fires employees and applies incentives and penalties to them;
- approves prices for products and tariffs for services;
- issues orders and directives that determine the relationship between divisions and branches of the Company;
- submits for approval to the General Meeting of Participants the annual report and balance sheet of the Company;

- represents the interests of the Company in relations with other companies, institutions, organizations, government agencies, citizens, foreign counterparties without a power of attorney;
- disposes of the Company's property and funds within the limits determined by the General Meeting of the Company's participants;
- issues a power of attorney to perform any action on behalf of the Companies, the right to sign financial documents, goods, services and other actions;
- opens current and other accounts in the bank;
- member of the legal signature of the Company's financial documents;
- processes the order of distribution of profits, dividends, means of covering losses;
- performs other actions aimed at achieving the goal of the Company within the rights granted to it by the general meeting of participants.

The Director of the Company or a person replacing him, without the prior written permission of the General Meeting of the Company has no right to:

- enter into agreements on behalf of the Company, the lump sum of which exceeds 500,000 (five hundred thousand) hryvnias;
- enter into on behalf of the Company and terminate agreements on the provision of a guarantee or surety by the Company, the transfer of the Company's property as collateral;
- enter into loan agreements, loan agreements, real estate lease agreements (premises, rooms, buildings, land plots, etc.) on behalf of the Company for a period exceeding 2 (two) years.

Control over the activities of the director of the Company is carried out by the general meeting of participants of the Company.

Strategies and goals

The Company's development strategy is aimed at strengthening the Company's position in the international lumber market and ensuring the sustainable development of the Company's business.

The main goals of the Company are:

- increase in sales;
- improving product quality;
- increasing the competitiveness of products;
- ensuring operational efficiency by reducing production costs and optimizing costs;
- increasing the margin of products by increasing the share of products with high added value.

II. RESULTS OF ACTIVITY

The main indicators of the Company

<i>Indicators, UAH thousand</i>	<i>The year ended on December 31</i>		<i>Change, 2020 to 2019</i>	
	<i>2020</i>	<i>2019</i>	<i>absolute</i>	<i>relative, %</i>
Net revenue from sales of goods (merchandise, works, services)	621,199	654,058	(32,859)	-5%
Volume of sold products, thousand m3:	120.9	119.7	25	21%
Cost of goods (merchandise, works, services) sold	569,941	602,653	(32,712)	-5%
Volume of production of goods, thousand m3:	130	129	1	1%
Gross profit	51,258	51,405	147	0%
Net loss	(341,653)	(344,862)	3,209	-1%

III. LIQUIDITY AND LIABILITIES

Aggregate structure of the Company's assets as of December 31:

Indicators, UAH thousand	2020	2019	Absolute change	Relative change, %
Property, plant and equipment and capital investments in progress	1,819,123	2,186,451	(367,328)	-17%
Investment property	320,047	313,661	6,386	2%
Other non-current assets	20,055	16,344	3,706	23%
Total non-current assets	2,159,225	2,516,456	(357,236)	-14%
Inventories	42,156	156,564	(114,408)	-73%
Accounts receivable for goods, works and services	113,355	86,551	26,804	31%
Cash and cash equivalents	67,171	6,251	60,920	975%
Prepayments made	7,528	25,196	(17,668)	-70%
Settlements with budget	4,093	12,902	(8,809)	-68%
Other current assets	2,083	307	1,776	579%
Total current assets	236,386	287,771	(51,385)	-18%
Total assets	2,395,611	2,804,227	(408,621)	-15%

Aggregate structure of the Company's liabilities as of December 31:

Indicators, UAH thousand	2020	2019	Absolute change	Relative change, %
Other non-current liabilities (lease liability)	6,263	6,399	(136)	-2%
Total long-term liabilities	6,263	6,399	(136)	-2%
Current liabilities on internal settlements	2,244,323	2,156,436	87,887	4%
Current liabilities for goods, works and services	63,474	223,680	(160,206)	-72%
Current liabilities for advances received	15,581	7,147	8,434	118%
Payroll and other related charges	1,058	1,726	(668)	-39%
Other current liabilities	10,853	13,132	(2,279)	-17%
Total current liabilities	2,335,289	2,402,121	(66,832)	-3%
Total liabilities	2,341,552	2,408,520	(66,968)	-3%

Liquidity ratio analysis:

Coefficient	At the end of 2020	At the end of 2019	Change
Current ratio (debt coverage)	0.101	0.120	Negative
Absolute liquidity ratio (cash reserves rate)	0.029	0.003	Negative
Rapid (urgent) liquidity ratio	0.083	0.055	Negative

IV. ECOLOGICAL ASPECTS

The Company is a business entity that releases polluting matter into the atmosphere on the basis of Emission Permits: № 1810700000-116 and № 1810700000-116a in compliance with the established GDV.

The sources of polluting matter formation are:

- HOLTEC wood receiving and sorting line
- LINCK sawing line
- Rudnick & Enners chip and sawdust removal and transportation line
- Spinger sorting line with packing function
- Mühlböck lumber drying chambers
- Boiler power unit with hot water boilers Urbas - 2 units running on biofuel.

According to the report on the inventory of pollutant emissions at the Company there are 31 sources of pollutant emissions, of which: 19 stationary organized and 12 stationary unorganized.

The main pollutants generated in the production process are:

- Substances in the form of suspended solid particles (microparticles of fiber) - which is 18,891 tons for 2020.
- Nitrogen compounds - amounting to 23,953 tons in 2020.
- Dioxide and other sulfur compounds - which is 0.024 tons in 2020.
- Carbon monoxide - which is 42.407 tons for 2020.
- Methane - which is 1.087 tons. for 2020.
- In addition, carbon dioxide - which is 6,117.626 tons in 2020.

In 2020, according to the agreement with the Utility Company "Vodokanal" 16.0 thousand cubic meters were dumped into the city network. m of wastewater, concentrations of pollutants (pH, temperature, total iron, sulfates, chlorides, ammonium nitrogen, BSC5, HSC, suspended solids, dry matter, phosphates) - do not exceed the established GDS.

The Company is taking measures to reduce the use of water for drinking and industrial needs by improving and adjusting the existing water treatment system. And further use of treated wastewater for own needs (for filling fire tanks, irrigation). Analyzing the volume of water used for economic and production needs, no significant difference is observed compared to 2019.

During 2020, in the course of production activities at the Company, the following wastes were generated and transferred for disposal:

- Substandard abrasive products - 0.029 tons;
 - Wiping materials spoiled, used or contaminated - 0.261 tons;
 - Filter materials spoiled, used or contaminated - 0.486 tons;
 - Tires damaged before operation, used, damaged or contaminated during operation – 11.311 tons;
 - Waste air filters - 0.132 tons;
 - Protective clothing damaged, used or contaminated - 0.164 tons;
 - Used metal containers, including small ones (cans, etc.), except for packaging waste generated during transportation - 0.735 tons;
 - Other substandard plastic products - 0.041 tons;
 - Wood and wood products spoiled or used - 0.055 tons;
 - Sand is spoiled, contaminated or unidentified, its remnants that cannot be used for their intended purpose - 0.086 tons;
 - Wastes obtained in welding processes - 0.017 tons;
 - Plastic packaging materials spoiled, used or contaminated - 1,700 tons;
 - Small plastic containers used - 0.176 tons;
- and delivered to the landfill of the village Grozino to the place of location and burial:
- Fuel slag – 184 900 tons.
 - Waste, municipal mixed, including garbage from urns - 696 tons.

Environmental activities of the Company are aimed at maintaining the quality of the environment at a level that ensures the sustainability of the biosphere. The fee for environmental pollution (environmental tax) for 2020 is – UAH 160 thousand.

Protection and rational use of water resources

The technological processes of production and equipment are being improved, annual maintenance of wastewater treatment facilities is being provided, revolving industrial water supply systems are being created, energy and resource-saving technologies are being introduced, wastewater treatment efficiency is being monitored by constant wastewater quality control.

Atmospheric air protection

The Company ensures uninterrupted efficient work and maintains in good condition facilities, equipment and apparatus for cleaning emissions and reducing the levels of exposure to physical and biological factors:

- monitoring the volume and composition of pollutants released into the air, and levels of physical impact and drive their permanent record;
- developing special measures for protection the atmosphere in case of emergencies of man-made and natural nature;
- instrumental and laboratory measurements of pollutant emission parameters of stationary and mobile sources and efficiency of gas treatment plants are provided;
- use metrologically certified measurement techniques and calibrated measuring equipment to determine the parameters of the gas-dust flow and concentrations of pollutants in ambient air and emissions of stationary and mobile sources;
- control over the design, construction and operation of facilities, equipment and apparatus for cleaning the gas and dust stream from pollutants and reducing the impact of physical and biological factors, equipping them with measuring equipment necessary for continuous monitoring of cleaning efficiency, compliance with emission limit values, and levels of influence of physical and biological factors and other requirements of the legislation in the field of protection of atmospheric air.

Waste management at the Company

- plans and programs to reduce waste generation are developed and implemented;
- acceptance and utilization of the used packing materials and containers in which there were production of the Company is provided, by the conclusion of agreements with the corresponding organizations on their collecting and utilization;
- determines the composition and properties of waste generated, as well as the degree of danger of waste to the environment and human health in accordance with regulations approved by the central executive body, which ensures the formation of state policy in the field sanitary and epidemic welfare of the population, in coordination with the central body of executive power, which ensures the formation of state policy in the field of environmental protection;
- on the basis of material balances of production the primary current account of quantity, type and structure of the generated, collected, transported, stored, processed, utilized, neutralized and removed is found and conducted, and the statistical reporting concerning them is submitted in accordance with the established procedure;
- complete collection, proper storage and prevention of destruction and spoilage of waste, for the disposal of which in Ukraine there is an appropriate technology that meets the requirements of environmental safety;
- organizational, scientific, technical and technological measures are taken to maximize waste disposal, sale or transfer to other consumers or companies, institutions and organizations engaged in waste collection, treatment and disposal, as well as provide its own funds for environmentally sound disposal of waste that is not subject to disposal;
- mixing of waste is not allowed.
- storage and disposal of waste in unauthorized places or facilities is not allowed;
- timely in the prescribed manner is paid environmental tax, which is charged for the disposal of waste;
- information on waste and related activities is provided to local executive bodies and local self-government bodies, authorized executive bodies on environmental protection;
- responsible persons in the field of waste management must be appointed;
- plans for the organization of work in the field of waste management are developed in the prescribed manner and implemented;
- professional training, advanced training and certification of specialists in the field of waste management is provided;
- agrees with the authorized executive bodies on the action plan in case of an emergency situation related to hazardous waste management.

Measures are being taken to ensure control over the state of the environment at the SPZ. To reduce the harmful impact on the environment, the Company uses only certified raw materials and auxiliary materials.

The Company, to the extent of its competence, implements and maintains a unified state policy in the field of environmental protection and rational use of resources.

The Company adheres to the principles of rational use of nature, which allows to develop measures to protect the environment, to restore the broken relationships in ecosystems, to prevent exacerbation of environmental situations.

To prevent negative impact on the environment, the Company takes the following measures:

- uninterrupted efficient operation is ensured and facilities, equipment and apparatus for cleaning emissions and reducing the levels of exposure to physical and biological factors are maintained in good condition;
- control over the volume and composition of pollutants emitted into the atmosphere and levels of physical impact and their constant accounting;
- conducted instrumental and laboratory parameters measurement of pollutant emissions stationary and mobile sources and efficiency of gas treatment facilities under agreements with organizations that are eligible activities in this area, under current licensing and industry documents;
- technical training of engineering and technical and service personnel involved in the operation of the GOU is carried out.
- control is exercised over the design, construction and operation of facilities, equipment and apparatus for cleaning gas and dust flow from pollutants and reducing the impact of physical and biological factors, work is carried out to equip them with measuring equipment necessary for constant monitoring of cleaning efficiency.

emissions of pollutants and levels of exposure to physical and biological factors and other requirements of legislation in the field of air protection;

- environmental tax is paid on time and in full;
- in case of changes in raw materials or parameters of the GOU, an inventory of pollutant emissions into the atmosphere is made with changes to existing permits;
- special measures are developed to protect the atmosphere in case of emergencies of man-made and natural nature.

V. SOCIAL ASPECTS AND PERSONNEL POLICY

As at December 31, 2020, the total number of employees was 280 people, of which 20 employees are in management positions, including 7 women, which is 37% of all managers.

Salary expenses in 2020 amounted UAH 59,155 thousand (2019: UAH 65,133 thousand).

The educational level of the Company's staff is presented in the following table

Type of education	Managers, professionals and specialists	Workers	Total
Complete and basic higher education	54	25	79
Incomplete higher education	54	15	69
Professional and technical education	-	87	87
General average and others	2	43	45
Total	110	170	280

Encouragement and motivation of employees of the Company

Material incentives:

- bonuses paid to employees for quality performance of functional duties for each month of 2020;
- bonuses paid on March 8 to all women of the Company;
- bonuses paid to the day of the forest worker to all employees of the enterprise - in September.

Material assistance was provided for treatment and burial during the year - 31 employees. The average payment to employees of the Company is UAH 11,755.8 on average in the region for 2020 - UAH 9,571.58.

The system of encouragement and motivation of employees of the Company provides for tangible and intangible motivation. The Company has a medical center. In the Korosten city clinic at the expense of the Company periodic medical examinations of workers are carried out.

During 2020, the Company actually increased the average salary by 29.1% compared to 2019. The change in the average monthly salary at the Company compared to the dynamics of the average salary in the Zhytomyr region is shown below:

Indicators, UAH	2020	2019	Absolute change	Relative change, %
The actual average monthly salary at the Company	11,755.89	9,099.60	2,656.29	29.1%
The average monthly salary in the Zhytomyr region	9,571.58	8,534.92	1,036.66	12.1%

Occupational safety and security

Ensuring technological safety and labor protection in all areas of production is one of the key priorities of the Company.

In 2020, at the Company has been 1 accidents with disability for a day or more (2019: 0 accident with a disability). Analysis of occupational injuries shows the following statistics:

During 2020, there was a decrease in the level of morbidity of employees of the Company, as indicated below:

<i>Indicators, UAH</i>	<i>2020</i>	<i>2019</i>	<i>Absolute change</i>
The total number of cases	369	438	(69)
The total number of calendar days of disability	2 385	4 914	(2 529)
Number of cases per 100 employees	103	101	2

In 2020 and 2019, no occupational diseases were registered at the Company.

Every year the Company carries out measures on labor protection and safety, which include, in particular, maintenance of sanitary facilities, mandatory preliminary and periodic medical examination, drug and psychiatric examinations of employees, preventive measures against viral diseases, training on labor protection, during 2020: 233 employees were trained in labor protection (2019 : 342).

VI. RISKS

Operating environment in Ukraine

Traditionally, Ukraine's economy is considered unfavorable for doing business, including small and medium. However, the situation has improved somewhat in recent years. Thus, according to the rating of ease of doing business "Doing Business-2020", compiled by experts from the World Bank and the International Finance Corporation (IFC), Ukraine ranked 64th among 190 countries.

World Bank analysts note that the result has been improved by reducing the single social contribution rate, simplifying permits and improving investor protection.

The main features inherent in the economy of Ukraine - certain structural imbalances, low liquidity of capital markets, relatively high, in particular in 2014-2019, inflation, a significant amount of external and domestic public debt.

Risks of business activity and its management

Commercial risk

The risk arises in the process of selling goods, and is associated with adverse changes in the price of manufactured products, due to excess supply in the global lumber market and leads to a decrease in revenues and profits of the Company. In order to minimize the impact of this risk, the Company has concluded long-term agreements with fixed prices, constantly monitoring markets to find niche markets with more favorable conditions. In addition, the quality of products is constantly monitored, its range is expanding.

Risk of rising prices for energy and raw materials

As raw materials and energy resources occupy a significant component in the cost structure, the impact of this risk is significant. In order to diversify, the Company, in addition to regular participation in auctions for the purchase of timber, monitors the price proposals of major suppliers of Ukraine, enters into agreements for the supply of significant volumes with reliable suppliers. The Company has introduced tender procedures, a tender commission is constantly operating, this allows to ensure minimum purchase prices with proper quality of raw materials. The Company implements programs to optimize production, save resources, reduce fixed costs to ensure the required level of profitability.

Currency risk

The foreign currency risk is the risk of potential losses related to the outstanding balances denominated in foreign currency in case of unfavourable changes in foreign exchange rates. The foreign exchange risk of the Company related to fluctuations of Ukrainian hryvnia against US dollar ("USD") and Euro, in which the Company carried part of its transactions. The Company has not entered into transactions designed to hedge against these foreign currency risks. The main method of foreign currency risk management is decrease of outstanding balance of foreign currency positions to an acceptable level.

Credit risk

Credit risk is associated with the possibility of financial loss to the Company due to the fact that its counterparties for some reason will not be able to meet their obligations. To prevent the impact of this risk by the Company,

most sales are made on a prepayment basis or in cooperation with reliable counterparties, with constant monitoring of the financial condition of the latter. The choice of servicing banks and the level of cooperation with them are based primarily on the reliability of the latter.

Liquidity risk

This risk arises from the inability of the Company to meet its obligations in a timely manner without incurring unacceptable losses. This risk is managed through cash flow planning in accordance with the expected maturities of liabilities through the analysis of its assets and liabilities under appropriate instruments in order to ensure the availability of sufficient funds to meet the requirements of creditors on an ongoing basis.

VII. RESEARCH AND INNOVATION

The Company is guided by the following basic principles in its activities:

- compliance of the final product with the customer's requirements;
- compliance of the technical level of production with the best world analogs;
- use of the results of modern world research and development.

The Company constantly cooperates with leading experts - consultants of the European Union in the field of technology improvement and implementation of innovations in the industry at the level of European countries.

The Company is actively implementing new production, energy- and resource-saving technologies.

The Company has developed and is in the process of implementing a quality system according to the international standard of quality management ISO 9001: 2015, which implements a risk-oriented approach to Company management. By the end of 2020, the Company plans to certify the Company according to this standard.

VIII. FINANCIAL INVESTMENTS

This Company is the founder of the following businesses:

BF ENGINEERING LLC - share in % and UAH - 10%, UAH 5 thousand.

BF Parket LLC - share in % and UAH - 1,623%, UAH 64.35 thousand.

BF Profil LLC - share in % and UAH - 2,32%, UAH 26.1 thousand.

LIGNOTEST LLC - share in % and UAH - 10%, UAH 0.1 thousand.

IX. DEVELOPMENT PROSPECTS

Opportunity for the development of the Company in 2020 and subsequent periods are based on:

- Macroeconomic forecasts of Ukraine's development;
- Development of the lumber market in Ukraine and the world;
- Sustainable development of the tendency to increase the volume of processing and sales through increasing the efficiency of the Company.

Strategy and plans

The development strategy of the Company is aimed at strengthening the Company's position in the international lumber market by ensuring the sustainable development of the Company's business, increasing the efficiency of its work.

To minimize the impact of risks, considerable attention is paid to the formation of orders for the full cycle of processing of forest raw materials at related companies located on the production site.

The main goals of the Company are:

- increase in production and sales, including through the sale of lumber to Company located on the production site, in which the Company has a stake;

- improving product quality;
- increasing the competitiveness of products;
- ensuring operational efficiency by reducing production costs and cost optimization;
- increasing the margin of products by increasing the share of products with high added value.

Director
August 20, 2021.



S. V. Yurashev



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Independent auditor's report

To the participants of Ukrainian Sawmill Holding Company Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Ukrainian Sawmill Holding Company Limited (the Company), which are presented on pages 1 to 30 and comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and comply with the requirements for the preparation of financial statements established by Law of Ukraine "On accounting and financial statements in Ukraine" No. 996-XIV.

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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' (IESBA) International 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 Ukraine, 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.

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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.



We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter

How our audit addressed the key audit matter

Revenue recognition

We identified revenue recognition as one of the matters of most significance in our audit because the amount of revenue is significant to the financial statements and due to the risk that revenue may be overstated because of the pressure on management to achieve performance targets. Revenue is also an important element of how the Company measures its performance.

Information about accounting policy on revenue recognition is disclosed in Note 4 to the financial statements and disclosures related to revenue are included into Note 20 to the financial statements.

We examined the revenue recognition process and tested controls over the capturing of data used in the recognition of revenue from sales.

We analysed the Company's accounting policy in respect of revenue recognition against the requirements of IFRS 15 "Revenue from contracts with customers", including the criteria for revenue recognition.

We analysed sales contracts terms in respect of transfer of control over goods. On a sample basis, we compared the date of transfer of control with the date of revenue recognition.

We performed analytical procedures in respect of revenue that included, among others, the analysis of monthly sales to detect unusual fluctuations and trends by type of goods and services, analysis and reconciliation with comparative information for prior periods and anticipated results of the Company.

For the services rendered, we compared the period when revenue was recognised to the period services were actually provided.

We compared revenue recognised in accounting system with relevant supporting documentation.

We assessed the disclosure of revenue in the financial statements.

Transactions with related parties

The Company has high volume of transactions with related parties and major portion of the Company's revenue and purchases is generated from transactions with related parties. Therefore, we identified transactions with related parties as one of the matters of most significance to our audit.

Information about transactions with related parties is disclosed in Note 28 to the financial statements.

We obtained an understanding of the Company's policies and procedures in respect of recording related party transactions.

We analysed sales and purchases agreements and conditions of sales and purchases to/from related parties. We analysed the loan agreements with the related parties.

(ii)



Key audit matter	How our audit addressed the key audit matter
	<p>We obtained understanding of balances with related parties and assessed ageing structure of receivables and payables and subsequent cash receipts and payments.</p> <p>We analysed related party disclosures in the financial statements.</p>

Other information included in the Company's Management Report for 2020

Other information comprises the information included in the Company's Management Report for 2020, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and the participants for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The participants are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

We communicate with the participants 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 the participants 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 the participants, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.



Report on other legal and regulatory requirements

Pursuant to the requirements of Article 14 paragraph 4 of Law of Ukraine "On audit of financial statements and auditing activity" No. 2258-VIII (the "Law No. 2258-VIII") 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 independent auditors to perform a statutory audit of the Company's financial statements on 1 June 2020 by the General meeting of the participants. The period of total uninterrupted engagement for performing the statutory audit of the Company is two years.

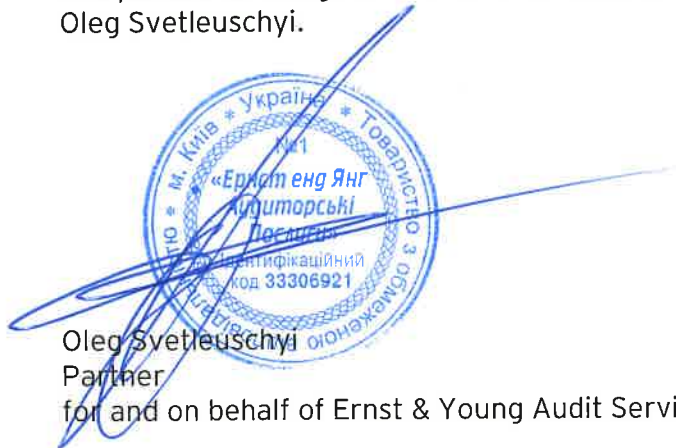
Consistency of the independent auditor's report with the additional report to the participants

We confirm that our independent auditor's report is consistent with the additional report to the participants of the Company, which we issued on 19 August 2021 in accordance with Article 35 of Law No. 2258-VIII.

Provision of non-audit services

We declare that no prohibited non-audit services referred to in Article 6 paragraph 4 of Law No. 2258-VIII were provided. In addition, there are no non-audit services which were provided by us to the Company.

The partner in charge of the audit resulting in this independent auditor's report is Oleg Svetleuschiy.



Oleg Svetleuschiy
Partner
for and on behalf of Ernst & Young Audit Services LLC

Kyiv, Ukraine

20 August 2021

Ernst & Young Audit Services LLC is included in the Register of auditors and audit firms, registration number: 3516.

(v)

Ukrainian Sawmill Holding Company Limited
STATEMENT OF FINANCIAL POSITION
(in thousands of Ukrainian hryvnia)

Entity: UKRAINIAN SAWMILL HOLDING COMPANY LIMITED
 Location: Kyiv, Ukraine
 Ownership: Limited liability company
 Type of activity: Sawmilling and planing production
 Average headcount: 360
 Address: 38, Yaroslaviv Val, Kyiv, 01034, Ukraine
 Units of measurement: UAH thousands (except for section IV of Statement of financial results (Statement of comprehensive income) (form #2), monetary measures in which are presented in UAH with kopecks)

Date (year, month, date)
 per EDRPOU
 per KOATUU
 per KOPFG
 per KVED

Codes		
2020	12	31
39325379		
8039100000		
240		
16.10		

Prepared in accordance with (mark with "v" in relevant box):
 Provisions (standards) of accounting
 International Financial Reporting Standards

v

Balance sheet

(Statement of financial position)

Form № 1 DKUD code 1801001

Assets	Line code	As at 31 December 2020	As at 31 December 2019	Notes
1	2	3	4	5
I. Non-current assets				
Intangible assets	1000	223	42	
historical cost	1001	336	88	
accumulated amortization	1002	(113)	(46)	
Capital investments in progress	1005	307,897	662,129	6
Property, plant and equipment:	1010	1,511,226	1,524,322	6
historical cost	1011	2,294,778	2,118,845	6
accumulated depreciation	1012	(783,552)	(594,523)	6
Investment property	1015	320,047	313,661	7
historical cost of investment property	1016	368,692	343,413	7
accumulated depreciation of investment property	1017	(48,645)	(29,752)	7
Other financial investments	1035	96	96	8
Long-term receivable	1040	3,123	–	10
Other non-current assets	1090	16,613	16,211	6
Total Section I	1095	2,159,225	2,516,461	
II. Current assets				
Inventories	1100	42,156	156,564	9
Raw materials	1101	24,008	56,904	9
Work in progress	1102	8,581	72,270	9
Finished goods	1103	9,567	27,390	9
Accounts receivable for goods, works and services	1125	113,355	86,551	10
Accounts receivable on settlements:				
on prepayments made	1130	7,528	25,196	11
with budget	1135	4,093	12,902	12
including prepayments for income tax	1136	–	–	
Other accounts receivable	1155	2,083	275	10
Cash and cash equivalents	1165	67,171	6,251	13
Future expenses	1170	–	32	
Total Section II	1195	236,386	287,771	
III. Assets classified as held for sale and discontinued operations	1200	–	–	
Balance	1300	2,395,611	2,804,232	

Ukrainian Sawmill Holding Company Limited
STATEMENT OF FINANCIAL POSITION
(in thousands of Ukrainian hryvnia)

Liabilities and equity	Line code	As at 31 December 2020	As at 31 December 2019	Notes
1	2	3	4	5
I. Equity				
Share capital	1400	943,673	970,305	14
Retained earnings (accumulated deficit)	1420	(889,614)	(547,703)	
Unpaid capital	1425	–	(26,890)	
Total Section I	1495	54,059	395,712	
II. Non-current liabilities and provisions				
Other non-current liabilities	1515	6,263	6,399	15
Total Section II	1595	6,263	6,399	
III. Current liabilities and provisions				
Current liabilities for:				
current portion of non-current liabilities	1610	6,599	6,871	15
for goods, works and services	1615	63,474	223,680	17
with budget	1620	144	364	
with Income tax	1621	–	–	
social insurance	1625	264	470	
Wages	1630	1,058	1,726	
Current liabilities for advances received	1635	15,581	7,147	18
Current liabilities on internal settlements	1645	2,244,323	2,156,436	16
Current provisions	1660	3,476	5,342	19
Other current liabilities	1690	370	85	
Total Section III	1695	2,335,289	2,402,121	
Balance	1900	2,395,611	2,804,232	

Signed and authorised for release on behalf of Ukrainian Sawmill Holding Company Limited on 20 August 2021:

Director

S. V. Yurashev

Chief accountant

V. I. Paladchenko



Ukrainian Sawmill Holding Company Limited
STATEMENT OF COMPREHENSIVE INCOME
(in thousands of Ukrainian hryvnia)

Entity: UKRAINIAN SAWMILL HOLDING COMPANY LIMITED

Date (year, month, date) 2020 12 31
per
EDRPOU 39325379

Statement of financial results
(Statement of comprehensive income)
for the year 2020

Form № 2 DKUD code 1801003

I. FINANCIAL RESULTS

Description	Line code	Current period	Preceding period	Notes
1	2	3	4	5
Net revenue from sales of goods (merchandise, works, services)	2000	621,199	654,058	20
Cost of goods (merchandise, works, services) sold	2050	(569,941)	(602,653)	21
Gross profit (Loss)		51,258	51,405	
Other operating income	2120	125,015	163,770	22
Administrative expenses	2130	(15,753)	(15,678)	23
Selling expenses	2150	(87,647)	(110,956)	24
Other operating expenses	2180	(111,698)	(120,922)	25
Financial results from operating activities:	2195	(38,825)	(32,381)	
Other finance income	2220	295	3,951	26
Finance expenses	2250	(303,123)	(316,432)	26
Financial results from ordinary activities before taxation:	2290	(341,653)	(344,862)	
Income tax on ordinary activities	2300	-	-	27
Net financial result:	2350	(341,653)	(344,862)	

II. COMPREHENSIVE INCOME

Description	Line code	Current period	Preceding period	Notes
1	2	3	4	5
Revaluation (impairment) of non-current assets	2400	-	-	
Revaluation (impairment) of financial instruments	2405	-	-	
Accumulated translation differences	2410	-	-	
Share of other comprehensive income of 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	-	-	
Comprehensive profit (sum lines 2350, 2355 and 2460)	2465	(341,653)	(344,862)	

III. ELEMENTS OF OPERATING EXPENSES

Description	Line code	Current period	Preceding period	Notes
1	2	3	4	5
Cost of materials	2500	352,962	344,426	
Labour costs	2505	47,052	47,114	
Social security charges	2510	8,710	9,925	
Depreciation and amortization	2515	215,555	254,068	
Other operating expenses	2520	160,760	194,676	
Total	2550	785,039	850,209	

Ukrainian Sawmill Holding Company Limited
STATEMENT OF COMPREHENSIVE INCOME
(in thousands of Ukrainian hryvnia)

IV. CALCULATION OF EARNINGS PER SHARE

Description	Line code	Current period	Preceding period	Notes
1	2	3	4	5
Annual average number of ordinary shares	2600	-	-	
Adjusted annual average number of ordinary shares	2605	-	-	
Net income per ordinary share	2610	-	-	
Adjusted net income per ordinary share	2615	-	-	
Dividends per ordinary share	2650	-	-	

Director

S. V. Yurashev

Chief accountant

V. I. Paladchenko



Ukrainian Sawmill Holding Company Limited
EQUITY STATEMENT
(in thousands of Ukrainian hryvnia)

Entity: UKRAINIAN SAWMILL HOLDING COMPANY LIMITED

Date (year, month, date)

Codes		
2020	12	31
per EDRPOU		
39325379		

Statement of cash flows
 (direct method)
 for the year 2020

Form № 3

DKUD code

1801006

Description	Line code	Reporting period	Preceding period
I. Cash flows from operating activities			
Cash inflow from:			
Revenue from sales of goods (merchandise, works, services)	3000	828,214	1,090,666
Refund of taxes and compulsory payments including refund of VAT	3005	-	170,383
Special purpose financing	3006	-	170,383
Receipts from return of prepayments	3010	2,732	2,212
Receipts of interests on outstanding balances on current bank accounts	3020	20,381	2,019
Receipts from operating lease	3025	123	166
Other receipts	3040	113,257	115,447
Cash disbursements for settlement of liability for:	3095	1,224	914
Goods (works, services)	3100	(683,853)	(919,411)
Salary	3105	(39,957)	(41,362)
Deductions for social security charges	3110	(10,488)	(10,896)
Tax liabilities and charges	3115	(10,754)	(11,412)
Return of advances received	3140	-	(89,312)
Other payments	3190	(2,607)	(4,095)
Net cash flow from operating activities	3195	218,272	305,319
II. Cash flows from investing activities			
Proceeds from sale of: financial investments non-current assets	3200	-	-
Receipt of: Repayment of loans	3205	279,957	108,178
Cash disbursement for the purchase of: financial investments non-current assets	3230	29	51,747
Cash disbursement on loans granted	3255	-	-
Net cash flows from investing activities	3260	(223,544)	(367,451)
	3275	(30)	(317)
Net cash flows from investing activities	3295	56,412	(207,843)
III. Cash flows from financing activities			
Proceeds from: own equity	3300	-	-
Borrowings	3305	575,827	443,435
Cash disbursements on: repurchase of own stock repayment of borrowings	3345	-	-
Interest paid	3350	(511,610)	(552,165)
Disbursements related to finance lease	3360	(284,205)	-
	3365	(9,098)	(6,417)
Net cash flows from financing activities	3395	(229,086)	(115,147)
Net cash flows for the reporting period	3400	45,598	(17,671)
Cash balance at the beginning of the year	3405	6,251	28,066
Net foreign exchange difference	3410	15,322	(4,144)
Cash balance at the end of the year	3415	67,171	6,251

Director

S. V. Yurashev

Chief accountant

V. I. Paladchenko



Ukrainian Sawmill Holding Company Limited
EQUITY STATEMENT
(in thousands of Ukrainian hryvnia)

Date (year, month, date)	Codes	
	2020	12 31
per EDRPOU		
39325379		

Entity: UKRAINIAN SAWMILL HOLDING COMPANY LIMITED

**Equity statement
for the year 2020**

Form № 4 DKUD code 1801005

Description	Line code	Share capital	Contributed capital	Additional capital	Reserve fund	Retained earnings	Unpaid capital	Withdrawn capital	Total
		3	4	5	6	7	8	9	10
Balance at the beginning of the year	4000	970,305	-	-	-	(547,703)	(26,890)	-	395,712
Adjustments: Changes in accounting policies	4005	-	-	-	-	-	-	-	-
Correction of errors	4010	-	-	-	-	-	-	-	-
Other adjustments	4090	-	-	-	-	-	-	-	-
Adjusted balance at the beginning of the year	4095	970,305	-	-	-	(547,703)	(26,890)	-	395,712
Net profit (loss) for the reporting period	4100	-	-	-	-	(341,653)	-	-	(341,653)
Withdrawal of a share in the capital	4275	(26,632)	-	-	-	(258)	26,890	-	-
Other changes in equity	4290	-	-	-	-	-	-	-	-
Total changes in equity	4295	(26,632)	-	-	-	(341,911)	26,890	-	(341,653)
Balance at the end of the year	4300	943,673	-	-	-	(889,614)	-	-	54,059

Ukrainian Sawmill Holding Company Limited
EQUITY STATEMENT
(in thousands of Ukrainian hryvnia)

Equity statement
for the year 2019

Form № 4 DKUD code 1801005

Description	Line code	Share capital	Contributed capital	Additional capital	Reserve fund	Retained earnings	Unpaid capital	Withdrawn capital	Total
1	2	3	4	5	6	7	8	9	10
Balance at the beginning of the year	4000	970,305	-	-	-	(211,879)	(26,890)	-	731,536
Adjustments: Changes in accounting policies	4005	-	-	-	-	-	-	-	-
Correction of errors	4010	-	-	-	-	-	-	-	-
Other adjustments	4090	-	-	-	-	-	-	-	-
Adjusted balance at the beginning of the year	4095	970,305	-	-	-	(211,879)	(26,890)	-	731,536
Net profit (loss) for the reporting period	4100	-	-	-	-	(344,862)	-	-	(344,862)
Other changes in equity	4290	-	-	-	-	9,038	-	-	9,038
Total changes in equity	4295	-	-	-	-	(335,824)	-	-	(335,824)
Balance at the end of the year	4300	970,305	-	-	-	(547,703)	(26,890)	-	395,712

Director

S. V. Yurashev

Chief accountant

V. I. Paladchenko



1. General information about the Company

Corporate information

Ukrainian Sawmill Holding Company Limited (hereinafter referred to as the "Company") was incorporated at 2014 under the laws of Ukraine. The principal activity of the Company is primary woodworking and preparation of lumber for further production of wood products.

The legal address of the Company is: 38 Yaroslaviv Val str., Kyiv, Ukraine.

The production facilities of the Company are located on: 11 t, Sergiy Kemskyi str., Korosten, Zhytomyr region, Ukraine.

In 2020 the average headcount was 360 people (2019: 420 people).

The Company is ultimately controlled by Mr. Leonidas Giourousef and his family members.

Operating environment in Ukraine

The Company conducts its operations in Ukraine. In recent years, Ukraine's economy has begun to show signs of recovery and growth after a sharp downturn in 2014-2016. The main constraints were tensions in geopolitical relations with the Russian Federation, lack of consensus on institutional reforms and low levels of foreign investment. Prior to the spread of the coronavirus pandemic (COVID-19) in the 1st quarter of 2020, real GDP grew by 2.4-3.4% annually, and annual inflation fell from 17.4% in 2018 to 4.1% in 2019.

Beginning from March 2020, Ukraine and other countries began to apply quarantine restrictions and measures to prevent the spread of the COVID-19 outbreak, which significantly affected and continues to affect the level of economic activity of enterprises. Thus, in 2020 there was a decline in industrial production in Ukraine by 5.2% compared to 2019, and inflation accelerated to 5%.

Deterioration of the economic situation in Ukraine, including as a result of COVID-19, led to the devaluation of the Ukrainian hryvnia against foreign currencies in 2020: the official exchange rate of the hryvnia against Euro on 31 December 2020 was 34.74 UAH / Euro against 26.42 UAH / Euro as of 31 December 2019 (December 31, 2018: UAH 31.71 / Euro) and the US dollar as of 31 December 2020 amounted to UAH 28.27 / USD against UAH 23.69 / US dollar as of 31 December 2019 (December 31, 2018: UAH 27.69 / US dollar). In order to reduce the negative impact of the COVID-19 pandemic on the country's economy, the National Bank of Ukraine gradually reduced the discount rate from 13.5% per annum, effective from December 13, 2019, to 10% per annum from March 13, 2020 and up to 6% per annum, starting from June 11, 2020. In early March 2021, the NBU set the discount rate at 6.5% per annum with a further increase in the rate to 7.5% in April 2021 and up to 8% in July 2021.

Negative economic conditions during 2020 led to a decrease in the Company's sales.

Uncertainty about the timing of the COVID-19 pandemic and the further development of the economic situation has a significant impact on the Company's operations, which cannot be reliably estimated. Management continues to monitor developments in the current situation and takes steps to minimize any adverse effects as much as possible.

2. Basis of preparation

The financial statements have been prepared on a historical cost basis. The financial statements are presented in the Ukrainian hryvnia and all values are rounded to the nearest thousand, except when otherwise indicated. The financial statements as at 31 December 2020 and for the year then ended were authorised for issue on 20 August 2021.

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), in reduction was approved by the International Accounting Standard Board ("IASB") and the requirements of the Law of Ukraine "On accounting and financial statements in Ukraine" No. 996-XIV.

The date of the Company's transition to IFRS is 1 January 2018.

Going concern

As at 31 December 2020, the Company's current liabilities exceeded its current assets by UAH 2,098,903 thousand (31 December 2019: UAH 2,114,350 thousand. In 2020, the Company reported a net loss of

UAH 341,653 thousand (2019: UAH 344,862 thousand). Management considers that the Company would be able to sustain its operations in the foreseeable future based on the following:

- As at 31 December 2020, the Company's current liabilities include interest-bearing loan from related party with the carrying value of UAH 2,244,323 thousand (31 December 2019: UAH 2,156,436 thousand) (Note 16). In 2020, finance costs of UAH 297,751 thousand were incurred by Company in respect of this loan (2019: UAH 316,455 thousand). Management received expressed commitment from the Company's shareholders to support ongoing operations of the Company in the foreseeable future.
- In 2020, the Company continued to generate net cash inflow from its operating activities of UAH 218,272 thousand (2019: UAH 305,319 thousand).
- The Company's management takes measures on costs optimization to sustain profitable operations.

Accordingly, management believes that preparation of the financial statements on a going concern basis, as if the Company will be able to realize its assets and discharge its liabilities in the normal course of business, continues to be appropriate.

3. Significant accounting judgments, estimates and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts. These estimates are based on information available as at the date of the statement of financial position. Actual results could differ from these estimates.

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:

Useful lives of property, plant and equipment

The Company assesses the remaining useful lives of items of property, plant and equipment at least at each financial year end on the basis of expectations of their future usage taking into consideration technological developments, competition, market conditions and other factors. If expectations differ from previous estimate, the changes are accounted for as changes in accounting estimates in accordance with IAS 8 Accounting policies, Changes in Accounting Estimates and Errors. These estimates may have an impact on the amount of the carrying values of property, plant and equipment in the statement of financial position and depreciation recognised in the profit and loss.

Litigations

The Company exercises considerable judgment in measuring and recognising provisions and the exposure to contingent liabilities related to pending litigations or other outstanding claims subject to negotiated settlement, mediation or arbitration, as well as other contingent liabilities. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, as well as in determining a possible range of any final settlement. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. These estimates are subject to change as any new information becomes available, primarily with the support of, as appropriate, internal specialists or outside consultants, such as legal counsel.

Estimation of net realizable value for inventory

Inventory is stated at the lower of cost and net realisable value (NRV). NRV is assessed with reference to market conditions and prices existing at the statement of financial position date and is determined by the Company having taken suitable external advice and in the light of recent market transactions.

Allowance for expected credit losses

Management maintains an allowance for doubtful accounts to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful accounts, management bases its estimates on the aging of accounts receivable balances and historical write-off experience, customer credit worthiness and changes in customer payment terms. If the financial condition of customers were to deteriorate, actual write-offs might be higher than expected.

The Company uses the provision matrix to calculate expected credit losses for trade receivables. Allowance rates are based on the receivables aging and on historical information related to the debtors' default rates, adjusted for expected factors that are specific to the debtors and the economic environment. At each reporting date, default rates are reviewed and changes in forecast estimates are analyzed.

The expected credit losses for related parties are calculated individually taking into account the terms of the agreements, the expected repayment period, internally assessed credit risks for significant debtors based on financial indicators and taking into account the external credit rating, if any.

Deferred tax assets

Deferred tax assets are 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 tax asset to be utilized. The estimation of that probability includes judgments based on the expected performance (Note 27).

4. Summary of significant accounting policies

Foreign currency translation

The financial statements are presented in the Ukrainian hryvnia. Ukrainian hryvnia is the functional currency and the presentation currency of the Company. Transactions denominated in currencies other than the relevant functional currency (foreign currencies) are initially recorded in the functional currency at the rate in effect as at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to profit and loss.

Non-monetary items that were measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair values were determined. The resulting gains and losses are recognized in profit and loss.

Property, plant and equipment

Initial recognition

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment and can be measured reliably. Expenditures for continuing repair and maintenance are expensed as incurred. Construction in progress represents plant and properties under construction and is stated at cost less any impairment in value. This includes cost of plant and properties construction and other direct costs. Construction in progress is not depreciated until such time as the relevant assets are completed and are available for use.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation

Depreciation is charged to profit and loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Land is not depreciated.

The estimated useful lives are as follows:

Group	Useful lives, years
Freehold buildings	20
Machinery and equipment	2-15
Vehicle	5
Tools and instruments	2-5
Office and computer equipment	4
Other	10

The useful life of an asset is defined in terms of the asset's expected utility to the Company.

Derecognition

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the

carrying amount of the asset) is included in profit and loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Investment property

Investment property is property held by the Company to earn rental income or for capital appreciation, or both and which is not occupied by the Company. The Company's investment property is formed by existing property as a result of a change in its use, and transfer from owner-occupied property to investment property.

Investment property is initially recognized at cost. Subsequently, investment property is carried at cost less accumulated depreciation and impairment allowance (if any).

Investment property consists of buildings with a useful life of 10 to 20 years. Depreciation is recognized in the statement of comprehensive income within other operating expenses on a straight-line basis over the estimated useful lives of investment property.

Operating income earned on operating leases is recognized in profit or loss for the year within other operating income. Gains or losses on disposal of investment property are calculated as proceeds from disposal, net of its carrying amount.

If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost for accounting purposes.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) 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.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset 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. 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.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated.

Impairment losses of continuing operations are recognised in profit and loss in those expense categories consistent with the function of the impaired asset.

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 cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

Management believes there are no indicators that the Company's non-financial assets are impaired.

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 respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

In 2020, the Company recognised borrowing costs as part of historical costs of property, plant and equipment in amount of UAH 8,711 thousand (2019: UAH 1,980 thousand).

Non-current assets held for sale

The Company classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment are not depreciated once classified as held for sale.

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement

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 or loss.

The 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 or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. 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 as described in the section *Revenue from contracts with customers* below.

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. This assessment is referred to as the SPPI test and is performed at an instrument level.

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.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

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 2020 and 2019, the Company had no financial assets at fair value through OCI with recycling of cumulative gains and losses, financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition and financial assets at fair value through profit or loss.

Financial assets at amortised cost

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.

Loss on initial recognition of loans granted to related parties is recognized as capital distribution directly within retained earnings (accumulated losses).

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

The Company's financial assets at amortised cost include trade and other receivables, and loans granted.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) 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 losses (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, 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.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and loans and borrowings. The Company has not designated any financial liability as at fair value through profit or loss or as derivatives designated as hedging instruments in an effective hedge.

Subsequent measurement

The measurement of financial liabilities depends on their classification.

Trade and other accounts payable, loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Gain on initial recognition from loans received from the related parties is recognized as capital contribution directly within retained earnings (accumulated losses).

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Inventories

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

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials: purchase cost on a weighted average basis;
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in transit and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Revenue from sale of finished goods is recognized at the point in time when control of the asset is transferred to the customer, generally on dispatch or delivery of the products.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties). In determining the transaction price for the sale of finished goods, the Company considers the effects of variable

consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The existing contracts for the sale of finished products do not provide customers with a right of return of the products of good quality and do not include volume rebates, therefore do not result in variable consideration.

(ii) Significant financing component

Generally, the Company receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

(iii) Contract balances

A receivable under the contracts with customers is recognised within trade and other accounts receivable, the accounting principles of which are set out in the section "Financial instruments – initial recognition and subsequent measurement" above. A contract liability to transfer goods or services to a customer for which the Company has received consideration from the customer is recognized within current liabilities for advances received. Contract liabilities are recognised as revenue when the Company performs under the contract.

Cost of sales

Cost of revenue that relates to the same transaction is recognized simultaneously with respective revenue.

Share capital

The Company's share capital is stated at the nominal amount of the issued shares. Foreign currency translation effect from contributions in foreign currency is recognised within additional capital.

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.

Where 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 any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingent assets and liabilities

A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Contingent liabilities are not recognised in the 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.

Taxes

Current income tax

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

Deferred income tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

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

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits 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 that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position 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 statement of financial position 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 statement of financial position date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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 and assets are recognised net of the amount of value-added tax ("VAT") except:

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

The net amount of VAT recoverable from, or payable to, the taxation authority is disclosed in the face of the statement of financial position.

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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. 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. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments, included into measurement of lease liability, comprise the following payments for the right to use the underlying assets during lease term:

- fixed payments (including in substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees;
- price of a purchase option reasonably certain to be exercised by the Company;
- payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if 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 in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset are classified as operating leases. Lease income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised over the lease term on the same basis as the lease income. Contingent rents are recognized as revenue in the period in which they are earned.

Events after the statement of financial position date

Events after the statement of financial position date that provide additional information on the Company's position at the statement of financial position date (adjusting events) are reflected in the financial statements. Events after the statement of financial position date that are not adjusting events are disclosed in the notes when material.

5. Standards issued, but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company does not expect any significant impact of the amendments on the financial statements and plans to adopt the amendments at the date they become effective.

<i>New pronouncement</i>	<i>Effective date</i>
Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	1 January 2021
Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16	1 April 2021
Reference to the Conceptual Framework – Amendments to IFRS 3	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	1 January 2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	1 January 2022
AIP IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter 15	1 January 2022
AIP IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities 15	1 January 2022
AIP IAS 41 Agriculture – Taxation in fair value measurements 15	1 January 2022
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 and IFRS Practice Statement 2	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	Indefinite period

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6. Property, plant and equipment (lines 1005, 1010, 1011, 1012)

	31 December 2020	31 December 2019
Property, plant and equipment, cost – line 1010 (ii)	1,511,226	1,524,322
Construction in progress and uninstalled equipment – line 1005 (ii)	307,897	662,129
Right-of-use assets – line 1090 (i)	16,613	16,211
Total	1,835,736	2,202,662

(i) Property, plant and equipment

	Freehold land	Freehold buildings	Machinery and equipment	Vehicles	Tools, devices, inventory	Office equipment, furniture	Other fixed assets	Construction in progress and uninstalled equipment	Total
Cost:									
At 1 January 2019	10,797	657,965	1,368,561	52,209	6,932	2,094	6,315	324,605	2,429,478
Additions	–	–	–	–	–	–	–	453,441	453,441
Transfers	11,565	168	101,275	1,676	1,187	46	–	(115,917)	–
Transfer to investment property	–	(48,100)	–	(241)	(1,501)	(55)	(421)	–	(48,100)
Disposals	–	–	(51,627)	–	–	–	–	–	(53,845)
At 31 December 2019	22,362	610,033	1,418,209	53,644	6,618	2,085	5,894	662,129	2,780,974
Additions	–	–	–	–	–	–	–	84,371	84,371
Transfers	–	11,489	272,813	348	718	11	844	(286,223)	–
Transfer to investment property	–	–	–	–	–	–	–	(25,279)	(25,279)
Disposals	–	–	(110,093)	–	(145)	(52)	–	(127,101)	(237,391)
At 31 December 2020	22,362	621,522	1,580,929	53,992	7,191	2,044	6,738	307,897	2,602,675

Accumulated depreciation and impairment

At 1 January 2019	–	(55,555)	(277,975)	(13,347)	(2,539)	(1,507)	(741)	–	(351,664)
Depreciation charge for the year	–	(37,235)	(198,392)	(10,663)	(1,485)	(392)	(600)	–	(248,767)
Transfer to investment property	–	4,340	–	–	–	–	–	–	4,340
Disposals	–	–	951	100	404	57	56	–	1,568
At 31 December 2019	–	(88,450)	(475,416)	(23,910)	(3,620)	(1,842)	(1,285)	–	(594,523)
Depreciation charge for the year	–	(35,842)	(137,286)	(14,038)	(1,459)	(190)	(590)	–	(189,405)
Transfer to investment property	–	–	–	–	–	–	–	–	–
Impairment	–	–	–	(622)	–	–	–	–	(622)
Disposals	–	–	843	–	105	50	–	–	998
At 31 December 2020	–	(124,292)	(611,859)	(38,570)	(4,974)	(1,982)	(1,875)	–	(783,552)

Net book value:

At 31 December 2019	22,362	521,583	942,793	29,734	2,998	243	4,609	662,129	2,186,451
At 31 December 2020	22,362	497,230	969,070	15,422	2,217	62	4,863	307,897	1,819,123

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As at 31 December 2020, the property, plant and equipment with cost of UAH 9,825 thousand were fully depreciated, but remain in use (31 December 2019: UAH 4,540 thousand).

The carrying amount of temporarily idle property, plant and equipment as at 31 December 2020 was UAH 14 662 thousand.

(ii) Right-of-use assets

	Lease of land	Lease of real estate	Lease of rights to vehicles and equipment	Total
At 1 January 2019	1,276	3,744	8,735	13,755
Additions	–	–	8,603	8,603
Revaluation	–	(1,696)	–	(1,696)
Depreciation charge for the year	(397)	(1,074)	(2,712)	(4,183)
Disposals	(226)	–	(42)	(268)
At 31 December 2019	653	974	14,584	16,211
Additions	63	7,761	–	7,824
Revaluation	–	–	–	–
Depreciation charge for the year	(192)	(4,103)	(3,223)	(7,518)
Disposals	–	–	96	96
At 31 December 2020	524	4,632	11,457	16,613

The company rents office space, land and vehicles. Lease agreements are usually concluded for fixed periods up to 5 years.

A lease is recognized as an asset in the form of a right of use reflecting the related obligation from the date on which the leased asset is available for use by the Company.

7. Investment property (lines 1015, 1016, 1017)

	Total
Cost	
At 1 January 2019	295,153
Transfer from property, plant and equipment	48,100
Additions	160
At 31 December 2019	343,413
Transfer from property, plant and equipment	–
Additions	25,279
At 31 December 2020	368,692
Accumulated depreciation and impairment	
At 1 January 2019	(9,040)
Transfer from property, plant and equipment	(4,340)
Depreciation charge for the year	(16,372)
At 31 December 2019	(29,752)
Transfer from property, plant and equipment	–
Depreciation charge for the year	(18,893)
At 31 December 2020	(48,645)
Net book value	
At 31 December 2019	313,661
At 31 December 2020	320,047

Investment property includes real estate that has been leased to related parties: parquet production plant, spliced lumber production plant, dry wood warehouse.

8. Financial investments (line 1035)

Name	Country of registration	Type of activity	Share in capital, %	31 December 2020	31 December 2019
BF Profil LLC	Ukraine	Manufacture of wooden building structures and joinery	2.32	26	26
BF Parket LLC	Ukraine	Parquet production	1.62	64	64
BF Inzhyniring LLC	Ukraine	Production of plywood, wood boards and panels, veneer	10.00	5	5
Lignotest LLC	Ukraine	Consultancy	10.00	1	1
Total				96	96

9. Inventories (lines 1100, 1101, 1102, 1103, 1104)

	31 December 2020	31 December 2019
Raw materials:		
Recoverable materials for sale (at cost)	19,716	24,322
Spare parts (at cost)	1,471	16,246
Raw materials (at cost or net realisable value)	1,309	9,441
Packaging materials (at cost)	721	1,382
Fuel (at cost)	662	746
Other inventories (at cost)	129	4,767
	24,008	56,904
Work in progress		
Semi-finished products (at cost or net realisable value)	8,581	65,063
Work in progress (at cost or net realisable value)	–	7,207
	8,581	72,270
Finished goods (at cost or at net realisable value)	9,567	27,390
Total	42,156	156,564

In 2020, the amount of write-down of inventories recognised within other operating expenses is UAH 3,171 thousand (2019: UAH 2,682 thousand) (Note 25).

10. Trade and other receivables (lines 1125, 1155)

	31 December 2020	31 December 2019
Trade receivables for goods, works and services	130,555	95,467
Other receivables	2,083	275
Expected credit losses	(17,200)	(8,916)
Total receivables	115,438	86,826

Trade and other receivables are non-interest bearing and are repayable in the normal course of business. Other receivables consist of current part of long-term receivables in amount of UAH 1,317 thousand.

Contracts with buyers are fixed-term, but in any case are valid until the termination of the rights and obligations of the parties arising from it.

Analysis of net trade receivables by maturity is as follows:

At 31 December 2020

	ECL, %	Gross book value	ECL
Current (not overdue)	0.03%	25,405	7
Overdue for 1-30 days	0.20%	34,488	70
Overdue for 31-90 days	1.12%	29,182	328
Overdue for 91-180 days	1.35%	14,420	200
Overdue for 181-365 days	51.77%	19,594	10,144
Overdue for more than 365 days	86.41%	7,466	6,451
Total		130,555	17,200

At 31 December 2019

	ECL, %	Gross book value	ECL
Current (not overdue)	0.00%	13,180	–
Overdue for 1-30 days	0.05%	28,087	13
Overdue for 31-90 days	0.16%	35,867	58
Overdue for 91-180 days	0.27%	7,108	19
Overdue for 181-365 days	27.65%	3,533	977
Overdue for more than 365 days	98.52%	7,967	7,849
Total		95,742	8,916

Movements in the allowance for expected credit losses of trade and other receivable are as follows:

	2020	2019
At 1 January	(8,916)	(2,685)
Charge for the year	(13,309)	(6,231)
Reversed or used	5,025	–
At 31 December	(17,200)	(8,916)

11. Prepayments (line 1130)

	31 December 2020	31 December 2019
Prepayments for goods and services to domestic suppliers	6,577	25,101
Prepayments for goods and services to foreign suppliers	951	95
Total	7,528	25,196

12. Taxes recoverable, other than income tax (line 1135)

	31 December 2020	31 December 2019
Settlements for VAT	4,054	12,704
Other taxes	39	198
Total	4,093	12,902

13. Cash and cash equivalents (line 1165)

	31 December 2020	31 December 2019
Cash in banks in foreign currency	66,122	5,051
Cash in banks in national currency	1,049	1,200
Total	67,171	6,251

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Cash at banks earned interest at floating rates based on daily bank deposit rates.

14. Equity (lines 1400, 1410, 1425)

Share capital

The Company's participants are the following persons:

	Share 2020, %	31 December 2020	Share 2019, %	31 December 2019
PJSC VCENCI FUND UNIBUDINVEST	79.8661%	753,675	35.0407%	340,001
Zholynska Anastasia Leonidivna	5.0335%	47,500	4.8954%	47,500
Yurushev Leonid Leonidovich	5.0334%	47,498	4.8952%	47,498
Yurusheva Elizaveta Leonidivna	5.0335%	47,500	4.8954%	47,500
Yurusheva Natalia Dmitrievna	5.0335%	47,500	4.8954%	47,500
PATHVILLE HOLDING LIMITED	0.00%	–	45.3780%	440,306
Total	100%	943,673	100%	970,305

The Company's owners changed during 2020. Unpaid amount of share capital as at 31 December 2019 UAH 26,890 thousand of Pathville Holding Limited was utilized with simultaneous sale of the participant's total share to PJSC VCENCI FUND UNIBUDINVEST.

Other changes in equity

In 2019, the Company recognized income from the initial recognition of financing received from related parties as a contribution to equity within the limits of uncovered loss in amount of UAH 9,038 thousand (2020: nil).

15. Lease liability (lines 1515, 1610)

The Company leases premises, vehicles and land in accordance with lease agreements for up to 5 years (Note 6).

The movement of lease obligations was as follows:

Year	Balance at the beginning of the year	Additions	Interest expenses	Repaid	Balance at the end of the year	<i>incl. current part</i>
2019	9,258	9,462	967	(6,417)	13,270	6,871
2020	13,270	7,705	1,967	(10,080)	12,862	6,599

The following are the amounts recognized in the statement of financial position in respect of leases:

	2020	2019
Depreciation of assets in the form of the right of use *	7,422	4,183
Financial costs under lease obligations	1,967	967
Short-term lease costs	773	617
The total amount recognized in the income statement	10,162	5,767

* Depreciation of assets in the form of the right of use is allocated to cost of sales, administrative and other operating expenses based on the functional use of leased assets.

The analysis of changes in lease obligations due to the Company's financial activities is provided in Note 16.

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16. Current liabilities on internal settlements (line 1645)

	Effective interest rate	31 December 2020		31 December 2019	
		Maturity	Amount	Maturity	Amount
<i>Interest-bearing loans in Ukrainian hryvnia from related parties</i>					
Loan 1	14%	30/04/2021	586,103	30/04/2020	1,120,875
Loan 2	18%	17/05/2021	1,657,701	17/05/2020	937,616
<i>Interest-free loans in Ukrainian hryvnia from related parties</i>					
Loan 3	15.3-16.4%	31/12/2020	519	31/12/2020	34,829
Loan 4	15.69%	–	–	30/06/2020	48,299
Loan 5	15.35%	–	–	31/01/2020	9,877
Loan 6	15.63%	–	–	31/01/2020	4,940
Total			2,244,323		2,156,436
<i>incl.: interest liability</i>			440,478		424,332

The received loans are unsecured. If necessary, the Company can extend the loans as described above.

In April 2021, the Company entered into an additional agreement on the extension of loans namely: the maturity for Loan 1 was prolonged to April 30, 2022, for Loan 2 - until May 17, 2022.

The analysis of changes in liabilities due to financial activities during 2019-2020 is given in the tables below:

	Borrowings from related parties	Lease obligations	Total
Debt as at 1 January 2019	1,956,759	9,258	1,966,017
Additions	443,435	–	443,435
Payment of borrowings	(552,165)	–	(552,165)
Payment of lease obligations	–	(6,417)	(6,417)
Net cash flow from financing activities	(108,730)	(6,417)	(115,147)
Received for financial lease	–	9,462	9,462
Revenue from initial recognition	(9,038)	–	(9,038)
Accrual of interest	317,445	967	318,412
Debt as at 31 December 2019	2,156,436	13,270	2,169,706
Additions	575,827	–	575,827
Payment of borrowings and interests	(794,833)	(982)	(795,815)
Payment of lease obligations	–	(9,098)	(9,098)
Net cash flow from financing activities	(219,006)	(10,080)	(229,086)
Received for financial lease	–	7,705	7,705
Discount amortization	9,142	–	9,142
Accrual of interest	297,751	1,967	299,718
Debt as at 31 December 2020	2,244,323	12,862	2,257,185

17. Trade and other payables (line 1615)

	31 December 2020	31 December 2019
Trade payables for property, plant and equipment	50,518	183,380
Trade payables for materials and services	12,004	40,290
Other trade payables	952	10
Total	63,474	223,680

18. Current liabilities for advances received (line 1635)

Current liabilities on advances received include contractual obligations under contracts with customers. All advances are short-term for which the delivery of finished products must take place no more than 12 months from the date of receipt.

In 2020, the Company recognized net revenue from sales in the amount of UAH 110,285 thousand in respect of advances received at the beginning of the year (2019: UAH 108,485 thousand).

19. Current provisions (line 1660)

	Provision for vacations	Provision for other payments	Total
At 1 January 2019	4,611	–	4,611
Accrued	4,845	1,766	6,611
Used	(5,880)	–	(5,880)
At 31 December 2019	3,576	1,766	5,342
Accrued	4,713	906	5,619
Used or utilized	(5,752)	(1,733)	(7,485)
At 31 December 2020	2,537	939	3,476

20. Revenue (line 2000)

	2020	2019
Revenue from the sale of lumber	605,534	639,446
Revenue from the sale of pallets	15,665	14,612
Total	621,199	654,058

Revenue from sales by regions was as follows:

Regions	2020	2019
Central and Eastern Europe	318,423	175,688
Asia	194,672	307,581
Ukraine	58,252	67,283
Middle East	38,414	22,777
Western Europe	5,164	77,888
Africa	4,785	1,992
North America	1,489	849
Total	621,199	654,058

Sale of goods for export is carried out under a commission agreement and accounts in 2020 for 91% (2019: 90%) of the total revenue from the supply of goods.

21. Cost of sales (line 2050)

	2020	2019
Materials	347,514	337,238
Depreciation	143,634	183,451
Payroll and related charges	46,051	46,467
Utilities, energy and other services	21,143	23,667
Other	11,599	11,830
Total	569,941	602,653

22. Other operating income (line 2120)

	2020	2019
Operating rent income	84,517	89,838
Income from heat supply, net	23,755	27,480
Gain on sale of equipment	8,981	5,354
Gain on sale of miscellaneous goods and services, net	4,959	15,989
Income from the write-off of accounts payable	313	732
Operating foreign exchange gains, net	–	21,581
Other	2,490	2,796
Total	125,015	163,770

23. General and administrative expenses (line 2130)

	2020	2019
Salary expenses and related charges	7,596	7,739
Information and consulting services	4,525	909
Depreciation of rights of use	773	1,143
Depreciation	754	795
Bank charges	554	810
Business trip expenses	504	2,076
Communication	423	412
Rent	201	617
Repairs and maintenance	118	257
Other expenses	305	920
Total	15,753	15,678

24. Selling and distribution expenses (line 2150)

	2020	2019
Transportation	72,819	94,024
Commission fees	6,872	7,096
Materials	5,295	6,531
Payroll and related expenses	2,115	2,833
Other	546	472
Total	87,647	110,956

25. Other operating expenses (line 2180)

	2020	2019
Depreciation of equipment transferred into operating leases	50,606	52,307
Depreciation of investment property transferred into operating leases	19,788	16,372
Provision for expected credit losses	13,309	6,231
Maintenance of assets for rent	7,806	15,131
Services of third-party organizations	6,516	5,443
Inventories written-off	3,171	2,682
Consulting and information services	1,973	13,332
Property, plant and equipment written-off	940	429
Taxes	777	1,383
Fees and penalties	153	1,771
Insurance	12	1,671
Loss on purchase and sale of foreign currency, net	–	1,461
Other	6,647	2,709
Total	111,698	120,922

26. Finance costs and income (lines 2250, 2220)

	2020	2019
Finance costs on loan	290,658	298,046
Finance costs from amortization of the discount on the received loans	10,498	17,419
Finance costs on rent	1,967	967
Total - finance costs (line 2250)	303,123	316,432

	2020	2019
Finance income from amortization of the discount	172	3,785
Interest income on balances on current bank accounts	123	166
Total - finance income (line 2220)	295	3,951

27. Income tax (line 2300)

The reconciliation between income tax expense and pre-tax loss multiplied by the standard tax rate for the year ended 31 December is as follows::

	2020	2019
Accounting loss before tax	(341,653)	(344,862)
At the Company's notional income tax rate of 18%	61,498	62,075
Change in unrecognised deferred tax asset	(58,562)	(61,040)
Non-deductible expenses for tax purpose	(2,936)	(1,035)
Income tax expense	–	–

Deferred tax assets and liabilities relate to the following items::

	Statement of financial position		Statement of comprehensive income	
	31 December 2020	31 December 2019	2020	2019
Deferred tax assets:				
Property, plant and equipment	–	–	–	(211)
Inventories	–	–	–	(35)
Trade and other receivables	–	–	–	(483)
Prepayments	–	–	–	(79)
Advances received	–	–	–	(227)
Tax losses	159,058	100,496	58,562	62,075
Unrecognised part of deferred tax asset	(159,058)	(100,496)	(58,562)	(61,040)
Deferred tax asset	–	–	–	–

Deferred tax assets have not been recognised in respect of tax losses carry-forward as there is no evidence of their recoverability in the near future. If the Company was able to recognise all unrecognised deferred tax assets the net profit would increase by UAH 159,058 thousand (2019: UAH 100,496 thousand).

28. Related party disclosure

The outstanding balances due from / to related parties were as follows:

	31 December 2020	31 December 2019
Owners		
Short-term loans	2,243,803	2,106,790
Trade and other payables	–	2,049
Entities under common control		
Trade and other receivables	57,437	64,538
Loans granted	–	–
Trade and other payables	12,166	135,052
Short-term loans	519	49,646
Lease liability	6,011	1,547

The Company's transactions with its related parties for the years ended 31 December were as follows:

	2020	2019
Owners		
Loans received	525,827	421,885
Loans and related interests repaid	(356,657)	(462,595)
Finance costs	(297,751)	(306,575)
Acquisition of corporate rights	–	–
	2020	2019
Entities under common control		
Revenue from sales of goods	49,777	69,985
Revenue from rent and other services	79,819	88,851
Gain on sales of miscellaneous goods and services	4,959	15,989
Gain on sales of property, plant and equipment	8,981	5,354
Purchases of property, plant and equipment	10,045	6,010
Purchases of goods and services	59,839	38,711
Acquisition of corporate rights	–	–

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	2020	2019
Loans granted	–	(287)
Loans repaid	–	51,657
Finance income under the loan	–	3,785
Loans granted	50,000	21,550
Loans repaid	(149,644)	(89,570)
Finance costs under the loan	–	(10,870)
Finance costs under the lease agreements	(1,967)	(290)

Revenue, trade and other receivables

Revenue and outstanding trade and other receivables relate to sales of goods and rent. Trade and other receivable balances are non-interest bearing, unsecured and settlements occurs in cash.

Purchases, trade and other payables

Purchases and outstanding trade and other payables relate to (i) supplies of raw and other materials, construction materials and services, and (ii) commission fees under the commission agreements to agents. The payables balances are non-interest bearing and are repayable in the normal course of business.

Loans from related party

Information on loans from related parties is provided in Note 18.

Loans to related party

The Company provided loans in the form of interest-free financial assistance provided to entities controlled by the shareholder during 2018. Such financial assets were carried at amortized cost using market interest rates at the date of initial recognition (ranging from 15.43% to 16.79%). In 2019, the Company recognized the corresponding income from the amortization of the discount in the amount of UAH 3,785 thousand (2020: zero) as part of financial income.

Compensation of key management personnel

In 2020, total compensation to key management personnel (2 persons) comprised UAH 1,049 thousand (2019: UAH 1,045 thousand). Compensation to the key management personnel mainly consists of salary and related charges, bonuses and short-term employee benefits.

29. Contingencies and commitments

Tax and other regulatory compliance

Ukrainian legislations and regulations regarding taxation and other regulatory matters, including currency exchange control and custom regulations, continue to evolve. The legislations 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 continue to be not unusual.

Management believes that the Company has complied with all regulations and paid or accrued all taxes that are applicable. Where uncertainty exists, the Company accrues tax liabilities based on the management's best estimate. Management believes that the probability that the tax and other regulatory risks would materialise is not higher than for other entities in Ukraine, and their potential outcome will not have material impact on the financial position and performance of the Company.

Management believes that the amount of resources outflow on possible risks arising from tax and other issues will not exceed UAH 1 mln.

Litigation

The Company deals with lawsuits and claims in the normal course of business. Management believes that the maximum liability for liabilities arising from such claims or claims, if any, other than those already recognized in the financial statements will not have material impact on the Company's financial position or results of future operations.

Management estimates that contingent on existing lawsuits from tax and customs authorities to the Company will not exceed UAH 10 mln.

30. Financial risk management objectives and policies

The Company's principal financial instruments comprise trade receivables and payables, loans and borrowings and cash and cash equivalents. The main purpose of these financial liabilities is to provide funding for the Company's operations. The Company has various other financial assets and liabilities such as other receivables and other payables, which arise directly from its operations.

The Company do not have any transactions using derivative financial instruments. The Company's overall risk management program focuses on the unpredictability and inefficiency of the Ukrainian financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. Risk management is carried out by the Company's financial department. The main risks arising from the Company's financial instruments are interest rate risk, credit risk, liquidity risk and foreign currency risk. The Company reviews and agrees policies for managing each of these risks and they are summarized below.

Interest rate risk

The exposure to the risk of changes in market interest rates relates primarily to an entity's loans with floating interest rates. As at 31 December 2020, the Company's loans and borrowings bear interests at the fixed rates and, accordingly, there is no interest rate risk exposure at the reporting date.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The credit risk management related to trade and other accounts receivable (Note 10), and cash and cash equivalents (Note 13).

The credit risk related to accounts receivable is limited as management constantly monitors the creditworthiness of customers. The company does not require collateral for its financial assets. The Company's credit risk relates to the default of customers and other debtors on their liabilities and is limited to the carrying amount of receivables and cash and cash equivalents.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due because of limited liquid assets. The Company analyses the ageing of its assets and the maturity of its liabilities and plans its liquidity depending on the expected repayment of various instruments.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments at 31 December 2020 and 2019:

	Less 3 months	3 to 12 months	1 to 5 years	More 5 years	Total
31 December 2020					
Current liabilities on internal settlements (Short-term loans)	76,770	2,279,288	—	—	2,356,058
Lease liability	1,651	4,948	6,134	128	12,862
Trade and other accounts payable	63,474	—	—	—	63,474
Total	139,466	2,284,236	6,134	128	2,432,984
	Less 3 months	3 to 12 months	1 to 5 years	More 5 years	Total
31 December 2019					
Current liabilities on internal settlements (Short-term loans)	80,816	2,176,487	—	—	2,257,303
Lease liability	2,454	6,892	6,525	143	16,014
Trade and other accounts payable	223,680	—	—	—	223,680
Total	306,950	2,183,379	6,525	143	2,496,997

Foreign currency risk

The foreign currency risk is the risk of potential losses related to the outstanding balances denominated in foreign currency in case of unfavorable changes in foreign exchange rates. The foreign exchange risk of the Company related to fluctuations of Ukrainian hryvnia against US dollar ("USD") and Euro, in which the Company carried part of its transactions. The Company has not entered into transactions designed to hedge against these foreign currency risks. The main method of foreign currency risk management is decrease of outstanding balance of foreign currency positions to an acceptable level.

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(in thousands of Ukrainian hryvnia)

The official exchange rates for Ukrainian hryvnia against foreign currencies, in which the Company's financial assets and liabilities were denominated, as declared by the National Bank of Ukraine as at the dates stated, were as follows:

	USD	EUR
Average for 2019	25.6315	28.6641
31 December 2019	23.6862	26.4220
Average for 2020	25.8373	28.9406
31 December 2020	28.2746	34.7396

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currency exchange rates, with all other variables held constant, of the Company's profit before tax.

	Change in exchange rates	Effect on the profit before tax
31 December 2020		
Increase in EUR exchange rate	+16%	16,518
Decrease in EUR exchange rate	-14%	(14,453)
Increase in USD exchange rate	+15%	10,433
Decrease in USD exchange rate	-12%	(8,346)
31 December 2019		
Increase in EUR exchange rate	+15%	(24,343)
Decrease in EUR exchange rate	-13%	21,097
Increase in USD exchange rate	+14%	1,923
Decrease in USD exchange rate	-11%	(1,511)

Fair value

The Company's financial assets and liabilities comprise cash and cash equivalents, trade receivables and payables. The accounting policies for their recognition and measurement are disclosed in the relevant sections of these Notes. All of the Company's financial instruments are Level 2 instruments of the source of fair value measurement of assets and liabilities the fair value of which has been determined from the initial data observed for the asset or liability directly (price) or indirectly (derived from prices). The current value of all of the Company's financial instruments is approximately equal to their fair value. During 2019-2020 there were no movements between the levels of the fair value measurement hierarchy.

31. Events after the reporting date

In March 2021, the Company entered into an agreement with a related party to receive a non-refundable financial assistance in the amount of UAH 395,955 thousand during 2021. At the date of the financial statements issuance, the Company received UAH 255,955 thousand.

In April 2021, the Company extended domestic loans granted by the owner in the amount of UAH 2,243,803 thousand for a period of 12 months until April-May 2022.