Financial Statements

State Enterprise of the Ministry of Defence of Ukraine "Defence Procurement Agency"

STATE ENTERPRISE OF THE MINISTRY OF DEFENCE OF UKRAINE "DEFENCE PROCUREMENT AGENCY"

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Owners and Management of the State Enterprise of the Ministry of Defence of Ukraine "DEFENCE PROCUREMENT AGENCY"

Report on the audit of the financial statements

Qualified opinion

We have audited the financial statements of the State Enterprise of the Ministry of Defence of Ukraine "DEFENCE PROCUREMENT AGENCY" (EDRPOU code 44725823, location: 2 Avtozavodska Street, Kyiv, 04074; hereinafter – the Company), which comprise:

- Balance sheet (Statement of financial position) as at 31 December 2023;
- Income statement (Statement of comprehensive income) for 2023;
- Statement of cash flows (under direct method) for 2023;
- Statement of changes in equity for 2023;
- Notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effect of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and the requirements of the Law of Ukraine "On accounting and reporting in Ukraine" dated 16.07.1999 No. 996-XIV in respect of financial statements preparation.

Basis for qualified opinion

1. *Observing the physical inventory counting*

We were not appointed as the auditors of the Company until after 31 December 2023 and 31 December 2022 and thus did not observe the counting of physical inventories at the carrying amounts of UAH 1 352 891 thousand and UAH 38 456 thousand, respectively. We were unable to satisfy ourselves by alternative means concerning the inventory quantities. As a result, we were unable to determine whether any adjustments to inventories might have been found necessary as at 31 December 2023 and 31 December 2022, and the elements making up the statement of financial position, income statement (statement of comprehensive income), statement of changes in equity and statement of cash flows as at and for the years ended 31 December 2023 and 31 December 2022.

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 Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (further – IESBA Code), and ethical requirements applicable in Ukraine to our audit of financial statements, and we have fulfilled our other ethical responsibilities in

Basis for qualified opinion

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 qualified opinion.

Material uncertainty related to going concern

We draw attention to Notes 1 and 2 to these financial statements, which describe the events and conditions that arose from the military invasion of the russian federation into Ukraine on 24 February 2022 that is still ongoing, the consequences of which on the Company's activities are unpredictable.

As discussed in Note 2, these events or conditions, together with other matters, discussed in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other information

Management of the Company is responsible for the other information prepared as of and for the year ended 31 December 2023. Other information consists of the Management Report for 2023, prepared in accordance with the requirements of the Law of Ukraine "On Accounting and Reporting in Ukraine" dated 16.07.1999 No. 996-XIV.

Our opinion on the Company's 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 identified above 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 to report that fact.

The Company has prepared and plans to publish the Management Report for 2022 after the date of publication of this Independent Auditor's Report. Upon publishing and reviewing the Management Report for 2023, if we conclude that there is a material misstatement, we will address the matter to those charged with governance.

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

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

When 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

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

going concern and using the going concern assumptions as a basis for accounting, unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to so.

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

Auditor's responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs 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 the management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Auditor's responsibility for the audit of the financial statements

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

Report on the requirements of other legislative and regulatory acts

The report on meeting the requirements of paragraph 4 of Article 14 of the Law of Ukraine "On Audit of Financial Reporting and Auditing Activity" dated 21.12.2017 No. 2258-VIII on the provision of additional information on the results of the statutory audit of a public interest entity:

- BDO LLC was appointed to perform this statutory audit assignment by the executive body of the Company on 1 April 2024.
- BDO LLC performed this assignment in accordance with the contract for audit services No. 01/24A/1009/42/1-38-D-24 dated 5 April 2024. The audit commenced on 1 May 2024 and will be completed on 23 May 2025.
- The Report on the Audit of the Financial Statements section of this Independent Auditor's Report discloses the scope of the audit and the inherent limitations.
- Total duration of the statutory audit assignment in respect of the financial statements by BDO LLC, taking into account the prolongation of authorities that took place, and the repeated appointments, is two years. For BDO LLC, this assignment is also the second year of the statutory audit of the Company's financial statements after the Company has been recognized as a public interest entity in accordance with the requirements of Part three of Article 2 of the Law of Ukraine "On Auditing Financial Statements and Auditing Activities" dated 21 December 2017 No. 2258-VIII.
- In the Basis for Qualified Opinion and Material Uncertainty related to Going Concern sections of this report, we disclosed matters that were of great importance during the audit of the current period's financial statements and which, according to our professional judgment, should be focused towards. These matters were considered in the context of our audit of the financial statements as a whole and taken into account when forming our opinion thereon; in doing so, we do not express a separate opinion thereon.
- During this statutory audit assignment, we did not identify any other matters relating to the audit estimates other than those mentioned in the Basis for Qualified Opinion and Material Uncertainty related to Going Concern sections of this report, the information about which we consider appropriate to disclose in accordance with the requirements of paragraph 4.3 Article 14 of the Law "On the Auditing Financial Statements and Auditing Activities" dated 21.12.2017 No. 2258-VIII.
- The information contained herein regarding the audit of the Company's financial statements was agreed with the information in the Supplementary Report for the Audit Committee dated 23 May 2025.
- During 2023-2024, BDO LLC did not provide the Company with other services, except for statutory audit services.
- BDO LLC did not provide the Company with any other services prohibited in accordance with the requirements of Article 6 of the Law of Ukraine "On Auditing

Report on the requirements of other legislative and regulatory acts

Financial Statements and Auditing Activities" dated 21 December 2017 No. 2258-VIII during 2023 and during the period from 1 January 2024 to the date of signing this Independent Auditor's Report.

- BDO LLC and the Key Audit Partner are independent of the Company in accordance with the requirements of the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA Code). During the audit, we did not identify any additional facts or issues that could affect our independence and that we would like to draw your attention to.

The audit was performed under the supervision of the Head of Audit department, Chernovol Vadym Mykolaiovych.

Head of the Audit department V.M. Chernovol

Registration number with the Register of Auditors and Auditing Entities: 101536

For and on behalf of BDO LLC

Director, Key Audit Partner S. O. Balchenko

Registration number with the Register of Auditors and Auditing Entities: 101086

Kyiv, 23 May 2025

Limited Liability Company BDO. Identification code under EDRPOU: 20197074. Legal address: 4, Andriia Fabra Street, Dnipro, 49070. Factual address: 201/203, 10th floor, Kharkivske Road, Kyiv, Ukraine. Tel. +38(044)393-26-87. Website: https://www.bdo.ua

BDO LLC is included in the Register of auditors and audit entities in section 4 "Audit entities that have the right to conduct statutory audit of financial statements of the public interest entities". Link to the Register: https://www.apu.com.ua/subjekty-audytorskoi-dijalnosti-jaki-majut-pravo-provodyty-obovjazkovyj-audyt-finansovoi-zvitnosti-pidpryjemstv-shho-stanovljat-suspilnyj-interes/

STATE ENTERPRISE OF THE MINISTRY OF DEFENCE OF UKRAINE "DEFENCE PROCUREMENT AGENCY"

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE SEPARATE FINANCIAL STATEMENTS

Management of the State Enterprise of the Ministry of Defence of Ukraine "Defence Procurement Agency" (further – the Company) is responsible for the preparation of the financial statements that present fairly, in all material aspects, the financial position of the Company as of 31 December 2023, and its operating results, cash flows, and changes in equity for the year then ended, in compliance with International Financial Reporting Standards (further – the IFRS).

In preparing the financial statements, the Company's management is responsible for:

- Selecting appropriate accounting policies and applying them consistently;
- Applying reasonable estimates and assumptions;
- Compliance with all relevant IFRS and disclosures of all significant deviations in notes to the financial statements;
- Preparation of the financial statements on the going concern assumption, except when it is not appropriate to assume that the Company will continue as a going concern.

Management is also responsible for:

- Development, implementation and maintenance of effective and sound internal control system in the Company;
- Keeping proper accounting registers disclosing at any time and with sufficient accuracy, the Company's financial position and enabling the management to provide for the compliance of the separate financial statements with IFRS;
- Making such steps that are within the management capabilities aimed at safeguard of the Company's assets; and
- Preventing and detecting fraud and other irregularities.

The financial statements of the Company for the year 2023 were approved on 23 May 2025 on behalf of the Company:

Director — Zhumadilov A.K.

Chief Accountant — Ilchuk I.A.

STATE ENTERPRISE OF THE MINISTRY OF DEFENCE OF UKRAINE "DEFENCE PROCUREMENT AGENCY"

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

(in thousands of hryvnias, unless otherwise stated)

			CODE		
Date (year, month, day)			2023	12	31
Entity	**State Enterprise of the Ministry of Defence of Ukraine "Defence Procurement Agency"**	EDRPOU	44725823		
Darnytsa region		KOATUU	80000000000551439		
Legal from	State enterprise	KOPFG	140		
Type of economic activity	Non-specialised wholesale trade	KVED	46.90		
Average number of employees[1]	154				
Address, telephone number	2 Avtozavodska Street, Obolonskyi District, Kyiv, 04074, Ukraine				

Measurement units: thous. UAH without a decimal sign

Prepared (mark as "v" in a respective cell):

Under National Accounting Standards	
Under International Financial Reporting Standards	V

Balance Sheet (Statement of Financial Position)

Form No. 1 Code under DKUD 1801001

Asset	Line code	Note	As at 31.12.2022	As at 31.12.2023
1	2	3	4	5
I. Non-current assets				
Intangible assets	1000	6	6	2 975
historical cost	1001		7	3 021
accumulated amortisation	1002		(1)	(46)
Construction in progress	1005		-	-
Property, plant and equipment	1010	7	1 224	4 031
historical cost	1011		1 924	5 432
depreciation	1012		(700)	(1 401)
Long-term accounts receivable	1040		-	-
Deferred tax assets	1045	19	-	25 045
Other non-current assets	1090		-	-
Total in Section I	**1095**		**1 230**	**32 051**
II. Current assets				
Inventories	1100	8	38 456	1 352 891
Accounts receivable for products, goods, works, services	1125	9	6 060	59 417
Accounts receivable for settlements:			-	-
On advances made	1130		2 743 025	18 620 701
With budget	1135		1 481	6 934
Including income tax	1136		-	-
Accounts receivable for accrued income	1140		2 835	3 071
Other current accounts receivable	1155	10	1 060	2 331
Cash and cash equivalents	1165	11	142 187	1 620 703
Deferred expenses	1170		99	61
Other current assets	1190	12	19	88 918
Total in Section II	**1195**		**2 935 222**	**21 755 027**
III. Non-current assets held for sale and disposal groups	**1200**		-	-
Balance	**1300**		**2 936 452**	**21 787 078**

STATE ENTERPRISE OF THE MINISTRY OF DEFENCE OF UKRAINE "DEFENCE PROCUREMENT AGENCY"

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023
(in thousands of hryvnias, unless otherwise stated)

Liability	Line code	Note	As at 31.12.2022	As at 31.12.2023
I. Equity				
Registered (share) capital	1400	13	1 000	1 000
Capital in revaluation surplus	1405		-	-
Additional capital	1410	13	49	73 245
Capital reserves	1415		-	-
Retained earnings (uncovered loss)	1420		-	-
Unpaid capital	1425	13	(1 000)	(1 000)
Withdrawn capital	1430		-	-
Other reserves	1435		-	-
Total in Section I	**1495**		**49**	**73 245**
II. Long-term liabilities				
Deferred tax liabilities	1500		-	-
Long-term bank loans	1510		-	-
Other long-term liabilities	1515		-	-
Long-term provisions	1520		-	-
Target financing	1525	14	-	16 885 891
Total in Section II	**1595**		**-**	**16 885 891**
III. Current liabilities and provisions			-	-
Short-term bank loans	1600		-	-
Current accounts payable for:			-	-
Long-term liabilities	1610		-	-
Goods, works, services	1615	15	133	1 177 996
Budget settlements	1620	16	251	162 782
Including income tax	1621		54	12 000
Insurance	1625		-	49
Remuneration of labour	1630		-	3 029
Current accounts payable for advances received	1635		2 889 441	3 295 502
Current provisions	1660	17	6 576	188 472
Other current liabilities	1690	18	40 002	112
Total in Section III	**1695**		**2 936 403**	**4 827 942**
Balance	**1900**		**2 936 452**	**21 787 078**

These financial statements were authorised for issue on behalf of the Management on 23 May 2025:

Director Zhumadilov A.K.

Chief Accountant Ilchuk I.A.

STATE ENTERPRISE OF THE MINISTRY OF DEFENCE OF UKRAINE "DEFENCE PROCUREMENT AGENCY"

INCOME STATEMENT (STATEMENT OF COMPREHENSIVE INCOME)

For the year ended 31 December 2023
(in thousands of hryvnias, unless otherwise stated)

			CODE		
Date (year, month, day)			2023	12	31
Entity	**State Enterprise of the Ministry of Defence of Ukraine "Defence Procurement Agency"** (name)	EDRPOU	44725823		

Income Statement (Statement of Comprehensive Income) for 2023

Form No. 2 — Code under DKUD 1801003

I. FINANCIAL PERFORMANCE

Item	Line code	Note	For the reporting period	For the same period of the previous reporting year
1	2	3	4	5
Net income from sales of products (goods, works, services)	2000	20	25 829 708	609 197
Cost of sold products (goods, works, services)	2050	21	(25 090 034)	(601 317)
Gross:				
Profit	**2090**		**739 674**	**7 880**
Loss	**2095**		-	-
Other operating income	2120	22	81 544	9 336
Administrative expenses	2130	23	(127 366)	(15 472)
Selling and distribution costs	2150		-	-
Other operating expenses	2180	24	(246 367)	(1 445)
Financial results from operating activities:				
Profit	**2190**		**447 485**	**299**
Loss	**2195**		-	-
Equity income	2200		-	-
Other financial income	2220		-	-
Other income	2240		-	-
Financial expenses	2250		-	-
Equity loss	2255		-	-
Other expenses	2270		-	-
Financial results before tax:				
Profit	**2290**		**447 485**	**299**
Loss	**2295**		-	
Income tax expenses (gain)	2300	19	(81 508)	(54)
Profit (loss) from discontinued operations after tax	2305		-	-
Net financial result:				
Profit	**2350**		**365 977**	**245**
Loss	**2355**		-	-

STATE ENTERPRISE OF THE MINISTRY OF DEFENCE OF UKRAINE "DEFENCE PROCUREMENT AGENCY"

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2023
(in thousands of hryvnias, unless otherwise stated)

II. COMPREHENSIVE INCOME

Item	Line code	Note	For the reporting period	For the same period of the previous reporting year
1	2	3	4	5
Revaluation surplus (loss) of non-current assets	2400		-	-
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 after tax	**2460**		-	-
Comprehensive income (sum of lines 2350, 2355 and 2460)	**2465**		**365 977**	**245**

All items of other comprehensive income will not be reclassified to profit or loss in subsequent periods.

III. ELEMENTS OF OPERATING EXPENSES

Item	Line code	Note	For the reporting period	For the same period of the previous reporting year
1	2	3	4	5
Material costs	2500		414	264
Remuneration expenses	2505		155 476	11 954
Social charges	2510		18 420	1 917
Amortization	2515		746	701
Other operating expenses	2520		1 588 907	37 322
Total	**2550**		**1 763 963**	**52 158**

IV. PROFITABILITY OF SHARES

Item	Line code	Note	For the reporting period	For the same period of the previous reporting year
1	2	3	4	5
Annual average number of ordinary shares	2600		-	-
Adjusted annual average number of ordinary shares	2605		-	-
Net profit (loss) per one ordinary share, UAH	2610		-	-
Adjusted net profit (loss) per one ordinary share, UAH	2615		-	-
Dividends per one ordinary share	2650		-	-

These financial statements were authorised for issue on behalf of the Management on 23 May 2025:

Director Zhumadilov A.K.

Chief Accountant Ilchuk I.A.

STATE ENTERPRISE OF THE MINISTRY OF DEFENCE OF UKRAINE "DEFENCE PROCUREMENT AGENCY"
STATEMENT OF CASH FLOWS
For the year ended 31 December 2023
(in thousands of hryvnias, unless otherwise stated)

			CODE		
Date (year, month, day)			2023	12	31
Entity	**State Enterprise of the Ministry of Defence of Ukraine "Defence Procurement Agency"** (name)	EDRPOU	21552117		

Statement of Cash Flows (direct method)
for 2023

Form No. 3 | Code under DKUD | 1801004

Item	Line code	For the reporting period	For the same period of the previous reporting year
1	2	3	4
I. Cash flows from operating activities			
Inflows from:			
Sale of products (goods, works, services)	3000	3 291 888	8 136
Return of taxes and levies	3005	-	-
Including value added tax	3006	-	-
Target financing	3010	123 160	-
Inflows of advances from buyers and customers	3015	26 272 936	3 788 439
Inflows from return of advances	3020	1 292 334	-
Inflows from interest on cash balances on current accounts	3025	21 457	6 485
Receipts from debtors of forfeits (fines, penalties)	3035	-	-
Other inflows	3095	8 757	759
Expenditure to pay:			
Goods (works, services)	3100	(1 455 978)	(188 660)
Remuneration	3105	(122 114)	(7 316)
Social charges	3110	(20 510)	(1 917)
Tax and levy liabilities	3115	(215 565)	(2 718)
Income tax liabilities	3116	(94 607)	-
Expenditures for payment of value added tax liabilities	3117	91 247	(940)
Liabilities on other taxes and levies	3118	(29 711)	(1 778)
Expenditure to pay advances	3135	(23 920 561)	(3 192 652)
Expenditure to pay target contributions	3140	(3 370 686)	(303 998)
Other expenditures	3190	(263 251)	(2 227)
Net cash flows from operating activities	**3195**	**1 641 867**	**104 331**
II. Cash flows from investment activities			
Inflows from sale of:			
Financial investments	3200	-	-
Non-current assets	3205	-	-
Inflows from received:			
Interest	3215	-	-
Dividends	3220	-	-
Other inflows	3250	-	-
Expenditure to purchase:			
Financial investments	3225	-	-
Non-current assets	3260	(7 807)	(2 144)
Other payments	3290		
Net cash flow from investment activities	**3295**	**(7 807)**	**(2 144)**

STATEMENT OF CASH FLOWS (DIRECT METHOD)

For the year ended 31 December 2023
(in thousands of hryvnias, unless otherwise stated)

Item	Line code	For the reporting period	For the same period of the previous reporting year
1	2	3	4
III. Cash flow from financial activity			
Inflows from:			
Loans received	3305	-	40 000
Other inflows	3340	-	-
Expenditure to:			
Repay loans	3350	(40 000)	-
Pay interest	3360	-	-
Payment of dividends	3355	(142 931)	-
Other payments	3390	-	-
Net cash flow from financial activity	**3395**	**(182 931)**	**40 000**
Net cash flow for the reporting period	**3400**	**1 451 129**	**142 187**
Opening cash balance	3405	142 187	-
Effect of changes in exchange rates on cash balance	3410	27 387	-
Closing cash balance	**3415**	**1 620 703**	**142 187**

These financial statements were authorised for issue on behalf of the Management on 23 May 2025:

Director Zhumadilov A.K.

Chief Accountant Ilchuk I.A.

STATE ENTERPRISE OF THE MINISTRY OF DEFENCE OF UKRAINE "DEFENCE PROCUREMENT AGENCY"
STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023
(in thousands of hryvnias, unless otherwise stated)

			CODE		
Date (year, month, day)			2023	12	31
Entity	**State Enterprise of the Ministry of Defence of Ukraine "Defence Procurement Agency"** (name)	EDRPOU	44725823		

Statement of Changes in Equity
for 2023

Form No. 4 | Code under DKUD | 1801005

Item	Line code	Registered capital	Capital in revaluation surplus	Other reserves	Capital reserves	Retained earnings (uncovered loss)	Unpaid capital	Withdrawn capital	Total
1	2	3	4	5	6	7	8	9	10
Opening balance (before adjustments)	**4000**	**1 000**	-	**49**	-	-	**(1 000)**	-	**49**
Change in accounting policy	4005	-	-	-	-	-	-	-	-
Correction of errors	4010	-	-	-	-		-	-	-
Other changes	4090	-	-	-	-	-	-	-	
Adjusted opening balance	**4095**	**1 000**	-	**49**	-	-	**(1 000)**	-	**49**
Net profit (loss) for the reporting period	**4100**					**365 977**	-	-	**365 977**
Other comprehensive income for the reporting period	4110	-	-	-	-	-	-	-	-
Profit allocation:									
Payments to owners (dividends)	4200	-	-	-	-	(292 781)			**(292 781)**
Net profit attributable to the budget in accordance with legislation	4215	-	-	-	-	-	-	-	-
Net profit for the creation of special (targeted) funds	4220	-	-	73 196	-	(73 196)	-	-	-
Net profit for material incentives	4225	-	-	-	-	-	-	-	-
Equity contributions	4240	-					-		
Other changes in equity	4290	-	-	-	-	-	-	-	-
Total changes in equity	**4295**	-	-	**73 196**	-	-	-	-	**73 196**
Closing balance	**4300**	**1 000**	-	**73 245**	-	-	**(1 000)**	-	**73 245**

These financial statements were authorised for issue on behalf of the Management on 23 May 2025:

Director Zhumadilov A.K.

Chief Accountant Ilchuk I.A.

STATE ENTERPRISE OF THE MINISTRY OF DEFENCE OF UKRAINE "DEFENCE PROCUREMENT AGENCY"
STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022
(in thousands of hryvnias, unless otherwise stated)

			CODE		
Date (year, month, day)			2022	12	31
Entity	**State Enterprise of the Ministry of Defence of Ukraine "Defence Procurement Agency"** (name)	EDRPOU	44725823		

Statement of Changes in Equity
for 2022

Form No. 4 — Code under DKUD 1801005

Item	Line code	Registered capital	Capital in revaluation surplus	Other reserves	Capital reserves	Retained earnings (uncovered loss)	Unpaid capital	Withdrawn capital	Total
1	2	3	4	5	6	7	8	9	10
Opening balance (before adjustments)	**4000**	-	-	-	-	-	-	-	
Change in accounting policy	4005	-	-	-	-	-	-	-	
Correction of errors	4010	-	-	-	-		-	-	
Other changes	4090	-	-	-	-	-	-	-	
Adjusted opening balance	**4095**	-	-	-	-	-	-	-	
Net profit (loss) for the reporting period	**4100**					**245**	-	-	**24[illegible]**
Other comprehensive income for the reporting period	4110	-	-	-	-	-	-	-	
Profit allocation:									
Payments to owners (dividends)	4200	-	-	-	-	(196)			(196[illegible]
Net profit attributable to the budget in accordance with legislation	4215	-	-	-	-	-	-	-	
Net profit for the creation of special (targeted) funds	4220	-	-	49	-	(49)	-	-	
Net profit for material incentives	4225	-	-	-	-	-	-	-	
Equity contributions	4240	1 000					(1 000)		
Other changes in equity	4290	-	-	-	-	-	-	-	
Total changes in equity	**4295**	**1 000**	-	49	-	-	(1 000)	-	4[illegible]
Closing balance	**4300**	**1 000**	-	49	-	-	(1 000)	-	4[illegible]

These financial statements were authorised for issue on behalf of the Management on 23 May 2025:

Director Zhumadilov A.K.

Chief Accountant Ilchuk I.A.

1. General information

The State Enterprise of the Ministry of Defence of Ukraine, "Defence Procurement Agency" (hereinafter referred to as "the Company"), is a legal entity established in accordance with Ukrainian legislation in the form of a state-owned enterprise (EDRPOU code 44725823, TIN 447258226545). It was established on 17 June 2022 by Order No. 159 of the Ministry of Defence of Ukraine.

The Company is subordinate to and belongs to the sphere of management of state property by the Ministry of Defence of Ukraine, which is the founder (unpaid authorised capital in the amount of UAH 1,000,000.00).

The Company was established with the aim of creating an integrated procurement system within the Ministry of Defence of Ukraine. The Company's objectives are to ensure the life cycle of defence products, to conclude compensation (offset) agreements, to determine the stages of implementation of agreements (contracts) for the supply of defence products, and to generate profit from the procurement of goods, works and services. The Ministry of Defence of Ukraine and the Armed Forces of Ukraine are to be provided with the necessary resources to fulfil their defence requirements. The implementation and fulfilment of state target defence programmes is to be ensured, with the Ministry of Defence acting as the state customer in this field. The procurement of goods, works and services for defence purposes, including through imports, is to be effective. Interactions with specialised organisations that carry out procurement are to be facilitated.

The main activity under KVED is:

- 46.90 Non-specialised wholesale trade

Other:

- 45.11 Sale of cars and light motor vehicles
- 45.31 Wholesale trade of motor vehicle parts and accessories
- 46.18 Agents specialised in the sale of other particular products
- 46.77 Wholesale of waste and scrap
- 64.99 Other financial service activities, except insurance and pension funding n.e.c.
- 73.20 Market research and public opinion polling
- 80.10 Personal security activities
- 80.20 Security system service
- 82.30 Organisation of conventions and trade shows
- 25.40 Manufacture of weapons and ammunition

Legal address: 2, Avtozavodska Street, 04074, Kyiv.

Actual location: 24-D, Polyova Street, Kyiv.

The average number of full-time employees in 2023 was 154 (2022: 54 employees).

On 16 May 2023, the Cabinet of Ministers of Ukraine adopted Resolution No. 494, which authorises the Company to procure and conclude state contracts for the purchase of goods, works and services for defence purposes, provided for in the state budget for the implementation of budget programme KPKVK 2101150 "Development, procurement, modernisation and repair of weapons, military equipment, means and equipment" and establishes the specifics of the performance of the functions of the state customer service.
The Ministry of Defence of Ukraine is the primary administrator of budget funds and the responsible executor of the budget programme. The budget funds are allocated to the Company, which then allocates them to the implementation of the relevant budget programme in terms of performing the functions of the state customer in the field of defence.
In accordance with the procedure established by law, the Company transfers budget funds for the following purposes:

purchase, modernisation and repair of weapons, military equipment, means and equipment in accordance with the relevant budget programme. This will be achieved by concluding contracts (agreements) with suppliers (contractors) of state contracts (agreements), as well as opening accounts with the Treasury and/or banks. The purpose of this is to cover the costs of maintaining the state customer's service in the field of defence, as well as the purchase of goods, works and services for defence purposes and import in the event of budget funds being allocated to contractors, suppliers of goods and service providers. These funds are allocated specifically for the achievement of the objectives of the budget programme.
Since the beginning of 2023, until it acquired the status of a state customer, the Company has concluded 22 state contracts for the supply of weapons, military equipment, spare parts and ammunition urgently required by the Armed Forces of Ukraine and other military formations established in accordance with Ukrainian legislation (18 contracts for 2022). In accordance with the concluded state contracts, the Company conducted market marketing, negotiations with potential suppliers were conducted and 18 foreign economic import contracts were concluded (39 in 2022). As a state customer service, 84 state contracts were concluded.

Operating environment and economic situation

The Company operates in Ukraine, where a full-scale war with the Russian Federation continues and a legal regime of martial law is in effect.

In 2023, the economy demonstrated notable resilience in the face of challenging circumstances, largely attributable to the high adaptability of businesses and the population to the conditions of war, complemented by a supportive fiscal policy that was underpinned by substantial international financing. According to the NBU, GDP grew by 5.7% in 2023 (following a 30.3% fall in 2022). Despite the ongoing war, the economy will continue to grow. In 2024, real GDP is projected to grow by 3.6%, driven primarily by sustained high budget spending, with the expectation of sufficient international aid.

However, should the active phase of the war continue for longer, there is a risk of slower economic growth. Russia is persisting in its endeavours to undermine the country's economic potential. Evidence of this can be seen in the terrorist attack on the Kakhovka hydroelectric power plant, the intensification of barbaric shelling of port infrastructure, Russia's blockade of the "grain corridor" in the Black Sea, and ultimately its withdrawal from the grain deal. Therefore, the risks to the economy, as well as the need for international assistance, were significant. The primary assumption is a substantial reduction in high-security risks from 2025 onwards. It is important to note that if high security risks continue, there will be a negative impact on business and consumer sentiment, exchange rates and inflation expectations. This will also increase pressure on public finances and exacerbate problems in the labour market. In this scenario, the potential for economic growth will be lower and inflationary pressures higher than current expectations.

Thanks to external support and the NBU's consistent policies, Ukraine's international reserves grew by 42% in 2023, reaching USD 40.5 billion. Although there were delays in receiving international assistance in early 2024, it is expected to resume regularly in the coming months.

Since the beginning of 2023, inflation has been declining faster than expected. The sustained provision of adequate food and fuel supplies, coupled with a swift recovery of the energy system from the repercussions of Russian terrorist attacks, contributed to the alleviation of inflationary pressures. A key factor in this regard has been the improvement in inflation expectations since the start of the year. This has been achieved in the context of the cessation of emission financing, the strengthening of the hryvnia exchange rate and the increased attractiveness of hryvnia assets. Consequently, consumer inflation decelerated to 5.1% year-on-year in 2023 (26.6% in 2022).

In July 2023, the National Bank's Board decided to lower the key policy rate to 22% from 25%, which had been set in June 2022. In light of the favourable shift in inflation expectations and the ongoing decline in inflation, the current and projected rate cuts are aligned with preserving the appeal of hryvnia savings. In September 2023, the NBU decided to lower the key policy rate from 22% to 20%, then to 16% in October, and from 15 December 2023 to 15%. These measures are designed to support economic recovery without compromising macrofinancial stability.

On 3 October 2023, the National Bank of Ukraine transitioned to a managed floating exchange rate regime, thereby continuing to implement its strategy of easing currency restrictions. The official exchange rate is now determined on the basis of the interbank market rate, rather than being set by the National Bank, as had been the case since 24 February 2022. In doing so, the NBU is closely monitoring the interbank currency market and is committed to limiting exchange rate fluctuations to prevent excessive weakening or significant strengthening of the hryvnia.

The war between Ukraine and the Russian Federation is ongoing, resulting in significant destruction of property and assets in Ukraine and other material consequences. The consequences of the war are changing daily, and their long-term impact is impossible to determine. The further impact on the Ukrainian economy is contingent on the cessation of hostilities, the successful implementation of new reforms by the Ukrainian government, the strategy for the country's recovery and transformation with a view to EU membership, and cooperation with international funds.

The impact of the war on the current situation at the Company and management's assessment of going concern are disclosed in Note 2.

2. Basis of preparation of financial statements

Statement of compliance

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

Basis for measurement

These financial statements are presented in thousands of Ukrainian hryvnias (thousand hryvnias), and all amounts are rounded to the nearest thousand, unless otherwise stated.

Going concern

These financial statements are prepared on the going concern basis, which assumes that the Company will continue to operate and that its assets will be realised and liabilities settled in the normal course of business. As at the date of approval of these financial statements, the Company is operating in unfavourable conditions caused by the political and economic crisis in Ukraine.
The Ukrainian economy is currently experiencing a shock of an unprecedented nature. The full-scale military invasion by russia, which began on 24 February 2022, has had a significant impact on all sectors of our country's economic system.
The Russian military invasion of Ukraine, which began on 24 February 2022 and continues to this day, is a significant event, the consequences of which cannot yet be determined on a national scale. However, the Company plans to continue its activities as usual.
In the new wartime reality, the Company has been established to import critical weapons and military equipment for Ukraine's Armed Forces and other military units defending the state against armed aggression. In 2023, the Company made advance payments for the supply of critical weapons, military equipment and ammunition under existing foreign trade contracts. It also ensured the prompt execution of contracts and the supply of urgently needed items to the Armed Forces of Ukraine.
This year, the Company acquired the status of a state customer in the field of defence and a recipient of budget funds under certain budget subprogrammes of the budget programme KPKVK 2101150. This status requires the relevant business transactions to be recorded in the accounts in accordance with IFRS 20 Accounting for Government Grants and Disclosure of Information about Government Assistance.
As at the date of approval of the financial statements, the Company has no damaged or lost assets as a result of hostilities.

For the year ended 31 December 2023, the Company's profit before tax amounted to UAH 447,485 thousand, compared to UAH 299 thousand in 2022. For the reporting year, the Company had a positive net cash flow from operating activities in the amount of UAH 1,641,867 thousand (2022 – UAH 104,331 thousand).

The Company has conducted a complete inventory of assets in order to assess their real value for the purpose of making necessary management decisions and is conducting outreach efforts to conclude new contracts.

The Company does not consume significant amounts of electricity; therefore, power outages in the city resulting from rocket attacks are not able to completely halt its operations.

Management is confident in the Company's ability to manage the timeliness of its current liabilities, which are primarily comprised of trade accounts payable.

It is possible that these events may result in an economic slowdown, which could have negative consequences for the Company's financial results.

The management of the Company believes that the preparation of these financial statements is reasonable, given the assumption that the Company can continue as a going concern. This is due to the fact that the Company has taken certain initiatives aimed at improving its financial performance and liquidity.

The Company is committed to optimising costs and managing its funds and resources responsibly. Measures to optimise operating costs are being implemented by organising the procurement of tangible assets and services through a system of transparent and competitive online auctions.

In the opinion of management, the combination of the above measures and other actions will enable the Company to continue as a going concern. These financial statements do not contain any adjustments relating to the recoverability and classification of the amounts of assets or liabilities that would be required if the Company were unable to continue as a going concern.

It is not possible for management to predict all trends that may affect the future financial condition of the Company. Nevertheless, management is convinced that it is taking all necessary measures to ensure the stable operation and development of the Company.

In view of the above, these financial statements have been prepared on a going concern basis, based on management's belief that the Company will continue as a going concern for at least the next 12 months from the reporting date.

When preparing these financial statements, known and estimable effects of these factors on the financial position and results of operations of the Company in the reporting period have been taken into account. It is not possible for management to predict all changes that may affect the economy in general, nor to predict the effects that these changes may have on the financial position of the Company in the future. Management is confident that all necessary measures have been taken to ensure the stable operation and development of the Company. These financial statements do not include adjustments that may arise as a result of such uncertainty. Such adjustments will be reported if they become known and estimable.

3. Application of new and revised International Financial Reporting Standards

New and revised standards applicable in the current year

In general, the accounting policies are consistent with those applied in the previous reporting year. Some new standards and interpretations became mandatory for application on or after 1 January 2023. The following information is provided on new and revised standards and interpretations that became effective on 1 January 2023.

IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 and introduces an internationally consistent approach to accounting for insurance contracts. Prior to the introduction of IFRS 17, there was significant diversity in the accounting and disclosure of insurance contracts worldwide, with IFRS 4 allowing many previous approaches to accounting for insurance contracts to continue.

Since IFRS 17 applies to all insurance contracts issued by an entity (with limited exceptions), its adoption may affect non-insurers. The Company has assessed its contracts and transactions and concluded that the transition to IFRS 17 did not have any impact on the Company's financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2 — Disclosure of Accounting Policies

The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose "significant accounting policies" with "material accounting information". The amendments also provide guidance on when accounting policies may be considered material and therefore require disclosure. The amendments do not affect the measurement or presentation of any items in the Company's financial statements but do affect the disclosures about its accounting policies.

Application of other IFRSs

The following amendments to IFRSs, the application of which did not have any impact on the financial statements of the Company, are listed below:

- *Amendments to IAS 8 Definition of Accounting Estimates*
- *Amendments to IAS 12 Income Taxes, Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*
- *Amendments to IAS 12 Income Taxes, International Tax Reform — Pillar Two Model Rules*

New and revised IFRSs that have been issued but are not yet effective

The Company has not applied the following IFRSs, interpretations and amendments to IFRSs and IASs that have been published but are not yet effective. The Company plans to apply these amendments when they become effective.

Amendments to IAS 1 Presentation of Financial Statements – Classifying Liabilities as Current and Non-current

The amendments specify that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must be substantive and exist at the end of the reporting period. The classification of a liability is not affected by the likelihood that an entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period.

The amendments are effective for periods beginning on or after 1 January 2024. The amendments are to be applied retrospectively, with early adoption permitted. The amendments may affect the classification of liabilities in the Company's statement of financial position.

Amendments to IAS 1 Presentation of Financial Statements – Non-current Liabilities with Covenants

After the publication of the amendments to IAS 1 on the classification of liabilities as current or non-current, the IASB made additional amendments to IAS 1 in October 2022. Under these amendments, only covenants that an entity must comply with at or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity is required to provide disclosures in notes that enable users of financial statements to understand the risk that non-current covenant liabilities may be settled within twelve months.

The amendments are effective for annual periods beginning on or after 1 January 2024. The amendments are to be applied retrospectively, with early adoption permitted. The amendments may have an impact on the classification of liabilities in the Company's statement of financial position.

The following is a list of standards and interpretations that will not have an impact on the separate financial statements of the Company or are not applicable to it:

Amendments to IFRS 16 Leases – Lease Liability in a Sale and Leaseback shall become effective for reporting periods beginning on or after 1 January 2024.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements shall become effective for reporting periods beginning on or after 1 January 2024.

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability shall become effective for reporting periods beginning on or after 1 January 2025.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures - Sales or Contributions of Assets between an Investor and its Associate/Joint Venture. The IASB has postponed the effective date of this amendment indefinitely, but early application is permitted on a prospective basis.

4. Significant accounting judgements, estimates and assumptions

The preparation of financial statements in accordance with IFRS requires management to make judgements and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities as at the reporting date and the amounts of revenue recognised for the reporting period. Estimates and judgements are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Therefore, actual results may differ from estimates.

Estimates and related assumptions are reviewed on an ongoing basis. The results of reviews of accounting estimates are recognised in the period in which the estimate is revised, if the revision affects both current and future periods.

Judgements

When applying accounting policies, management has made certain judgements that affect the amounts recognised in the financial statements, in addition to accounting estimates. These judgements include assumptions relating to the Company's going concern assumptions (Note 2).

Estimates and assumptions

The following are the main assumptions about the future, as well as other key sources of estimation uncertainty at the balance sheet date, which are considered to pose a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Risks related to tax and other legal requirements

Ukrainian legislation on taxation and economic activity, including control over currency and customs operations, is still evolving. Legislative and regulatory acts are not always clearly formulated, and their interpretation varies depending on the perspective of local, regional, and central government authorities, as well as other government agencies. It is not uncommon for different authorities to hold different views on a particular issue. The management believes that the Company has complied with all regulatory requirements and that all taxes and deductions required by law have been paid or accrued. However, there is a risk that transactions and interpretations which have not previously been questioned may be challenged by government authorities in the future, although this risk decreases significantly over time. It is impossible to determine the amount of unasserted claims that may be brought, if any, or the likelihood of an adverse outcome.

The Company conducts transactions with related parties. It is possible that changes in the interpretation of tax legislation in Ukraine and the approach of tax authorities in accordance with the new Tax Code may result in such transactions being challenged in the future. The consequences of challenging such transactions cannot be predicted, but management believes that they will be insignificant.

Deferred tax assets

Deferred tax assets are recognised for all taxable temporary differences to the extent that it is probable that taxable profit will be available against which the taxable temporary difference can be utilised.

Provision for litigation

The Company is a defendant in ongoing court proceedings. Provisions for these proceedings represent management's estimate of potential losses that may be incurred as a result of unfavourable decisions, none of which had been identified as of 31 December 2023. Changes in these estimates could significantly impact the financial statements.

Estimation of expected credit losses

Estimating expected credit losses involves significant assessments, such as determining the estimation methodology, models and input parameters. The following components significantly impact the estimated credit loss allowance: the determination of default; a significant increase in credit risk; the probability of default; exposure at default; and loss given default. Macroeconomic scenario models also play a role. The Company analyses and reviews the appropriateness of the models and input parameters in order to minimise the discrepancy between the estimated and actual credit losses (Note 9).

5. Significant accounting policies

Functional currency and presentation currency

The functional currency and presentation currency of these financial statements of the Company is the Ukrainian hryvnia. Transactions in currencies other than the functional currency of the Company are considered foreign currency transactions.

Foreign currency transactions

A foreign currency transaction is recognised by the Company after initial recognition in the functional currency using the spot exchange rate between the functional currency and the foreign currency at the date of the transaction (paragraph 21 of IAS 21).

As a practical expedient, the Company uses the official exchange rate on the relevant date set by the National Bank of Ukraine in accordance with Article 36 of the Law of Ukraine "On the National Bank of Ukraine" as the spot rate.

Property, plant and equipment

The Company recognizes property, plant and equipment at historical cost, less any accumulated depreciation and accumulated impairment losses.

The Company uses the cost model to evaluate property, plant and equipment. Subsequent additions to property, plant and equipment are recognised at their initial cost. Initial cost includes the costs incurred directly in acquiring the assets.

The useful life of each item of property, plant and equipment is determined by the commission upon putting into operation.

The depreciation of an asset commences when the asset is ready for use and is calculated monthly until the date of its derecognition.

The straight-line method is used to calculate depreciation of property, plant and equipment, which involves writing off the initial or fair value less the residual value over their useful life.

Prepayments

Advances made for property, plant and equipment, intangible assets, and other non-current assets are recognised in the statement of financial position as non-current assets under assets under construction and are detailed in notes to the financial statements. Other advances are recognised as current assets/short-term liabilities.

Deferred expenses expected to be included in the income statement within the next 12 months, are recognised as advances made. Otherwise, they are recorded as other non-current assets.

Any advances received that are expected to be included in the statement of profit or loss and other comprehensive income within the next 12 months are recognised as current liabilities. Otherwise, they are recognised as other non-current liabilities.

Any advances made to subcontractors for work under contracts in which the Ukrainian Ministry of Defence is the customer that have not been completed by the established deadlines and have been suspended for over 12 months at the customer's discretion are reclassified as other non-current assets. These advances are valued at their amortisation cost, are not subject to discounting due to uncertainty surrounding the resumption date and are recognised in the statement of financial position as other non-current assets.

Prepayments are recognised at the actual cost of the funds paid, less any provisions for impairment.

Intangible assets

Intangible assets are recognised at their initial cost, minus accumulated amortisation and impairment losses. Subsequent expenditure on intangible assets is only capitalised if it increases the future economic benefits associated with the specific assets to which it relates. Any other expenditure is recognised as an expense in the period in which it is incurred.

Amortisation is recognised on a straight-line basis over the expected useful life of intangible assets, which is expected not to exceed ten years.

Impairment of property, plant and equipment and intangible assets

At each reporting date, the Company reviews the carrying amount of its property, plant and equipment and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If such an indication exists, the Company estimates the recoverable amount of the asset to determine the amount of impairment loss (if any). If it is not possible to estimate the recoverable amount of a specific asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The expected recoverable amount is the greater of the fair value minus selling costs and the value in use. When measuring value in use, the sum of expected future cash flows is 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 for which the estimates of future cash flows have not been adjusted.

If the estimated expected recoverable amount of an asset (or a cash-generating unit) is less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to the expected recoverable amount. Impairment losses are recognised directly in profit or loss.

Whenever the impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount. However, this increase must not exceed the carrying amount that would have been determined in the absence of impairment losses on the asset (or cash-generating unit) recognised in previous years.

Lease

The Company has taken advantage of IFRS 16, choosing not to apply the standard's requirements to short-term leases and those where the leased asset is of low value.

The Company does not have its own premises, so it rents office space. During 2023, the following lease agreements were concluded (2022 – 2 lease agreements) with Step Management LLC:

- for the lease of the 3rd and 4th floors at the address: 24-D, Polyova Street, Kyiv, No. 25/07/2022-C dated 25 July 2022, from 25 July 2022 to 30 June 2023,

- for lease of 3rd, 4th, and 6th floors with a total area of 1,996.76 square metres at the address: 24-D, Polyova Street, Kyiv, No. 01/01/2024-C dated 28 December 2023, from 28 December 2023 to 28 February 2024.

The Company recognises rental expenses as current expenses for the reporting period.

Inventories

Inventories are recorded at the lower of the initial cost and the net realisable value. The cost of inventories includes the purchase price, import duties and other taxes (except those subsequently refunded by the tax authorities), as well as transportation, loading and unloading costs, and other costs directly related to acquiring and producing inventories, materials and services.

The identified cost method is used when writing off or otherwise disposing of inventories.

Financial instruments

Classification of financial assets

When financial instruments are initially recognised, the Company classifies them and determines the subsequent measurement model.

Debt financial assets are classified based on the business model used to manage these assets and the characteristics of the specified contractual cash flows.

Financial assets are classified into the following categories:

- Financial assets at amortised cost (AC);

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

- the asset is held within a business model whose objective is to hold 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 (the SPPI criterion) on the principal amount outstanding.

The Company assesses the objective of the business model in which the asset is held at portfolio level, as this best reflects how the business is managed and how information is provided to the management.

When assessing whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding (the SPPI criterion), the Company analyses the contractual terms of the financial instrument. This involves determining whether the financial asset contains any contractual term that could change the timing or amount of the contractual cash flows in such a way that the financial asset would no longer meet the requirement under consideration.

Classification of financial liabilities

Financial liabilities are measured at amortised cost, except for:

1) financial liabilities at fair value through profit or loss;

2) financial liabilities arising when the transfer of a financial asset does not meet the conditions for derecognition or when the continuing involvement principle applies;

3) financial guarantee contracts, avals, sureties;

4) commitments to lend at below market rates;

Initial recognition and subsequent measurement of financial instruments

Financial instruments at fair value through profit or loss upon initial recognition are recognised at fair value, excluding transaction costs. Transaction costs related to the acquisition of such financial instruments are recognised in expense accounts on the date they are incurred.

All other financial instruments are measured at fair value on initial recognition, plus transaction costs. Transaction costs and other payments directly attributable to the recognition of a financial instrument are recognised in the discount (premium) accounts for that financial instrument.

Transaction costs include commissions paid to agents, consultants, brokers and dealers; fees paid to regulatory authorities and stock exchanges; and taxes and state duties.

These costs and income are an integral part of the yield of a financial instrument and are recognised as such when calculating the effective interest rate.

Upon initial recognition, the Company measures trade receivables at the transaction price. This is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to the buyer. It excludes amounts received on behalf of third parties. This applies when the agreed payment dates provide significant benefits to the buyer or seller from the sale of the product, and when the trade receivable does not contain a significant financing component.

Financial guarantees and commitments to lend at below-market rates are measured at fair value upon initial recognition.

Subsequently, loan commitments at below-market rates and financial guarantees are measured at the higher of the following two amounts: the allowance for expected credit losses (hereafter referred to as "ECL") or the fair value of the financial liability minus the amortised cost of income, in accordance with the principles of its recognition.

Impairment

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

- financial assets that are debt instruments;
- receivables under lease agreements;
- loans and financial guarantee obligations.

Allowances for expected credit losses are recognized based on the level of credit risk and are determined either as 12-month expected credit losses or lifetime expected credit losses.

The Company uses a simplified approach, recognising allowances for expected credit losses on receivables that are equal to the expected credit losses over the lifetime of the instrument, regardless of whether there is a significant financing component.

The estimate of expected credit losses reflects the difference between the contractual cash flows and all cash flows that the Company expects to receive. The loss is then discounted to the original effective interest rate of the asset.

When determining whether the credit risk of a financial asset has increased since initial recognition and when assessing ECL, the Company considers that reasonable and supporting information is current and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and sound credit estimate.

The Company defines a financial asset as non-performing when there is a high probability that the borrower will not fulfil their credit obligations to the Company in full.

The Company has classified financial assets based on general credit risk characteristics. These include the type of financial instrument, the credit risk rating, the type of debtor or issuer, and the dates of initial recognition of the financial asset. The Company has also applied a historical percentage of credit losses to them. This percentage is based on the Company's experience of incurring such losses. It is adjusted for factors specific to the debtors and general economic conditions.

Write-offs

The gross carrying amount of a financial instrument is written off against the provision charged after it is recognised as uncollectible, an allowance for expected credit losses has been charged, and other conditions specified in the applicable laws of Ukraine and the Company's internal regulations have been met.

Derecognition and contract modification

Financial assets are derecognised if:

a) the term of rights to contractual cash flows to a financial asset expires;

b) the transfer of the financial asset meets the criteria for derecognition;

c) the financial asset is written off against the provision.

Control over the transferred asset is absent if the party to whom the asset is transferred has the actual ability to sell it to an unrelated third party and can affect such sale unilaterally without the need to impose additional restrictions on such transfer.

If control over a financial asset is not retained, such asset is derecognised. Otherwise, if control over the financial asset is retained, its recognition is continued within the scope of the continuing involvement therein.

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

A financial liability or part thereof is derecognized if the liability is extinguished, cancelled or has expired.

Any costs or benefits are income/expenses from derecognition if the exchange of debt financial liabilities or the modification of the terms of a financial liability is accounted for as extinguishing the original financial liability and recognising a new financial liability.

The difference between the carrying amount of a financial liability (or part thereof) extinguished or transferred to another party and the amount of consideration received is recognised as income/expense from derecognition.

Value added tax (VAT)

VAT in Ukraine is levied at two rates: 20% on sales within Ukraine and imports of goods, works or services, and 0% on exports of goods and performance of works or provision of services outside Ukraine. The VAT liability is equal to the total amount of VAT accumulated during the reporting period and arises on the earlier date of shipment of goods to the customer or the date of receipt of funds from the customer. A VAT tax credit is the amount by which a taxpayer is entitled to reduce their VAT liability for the reporting period. The right to a VAT tax credit arises upon earlier of receipt of a registered tax invoice issued at the time of payment to the supplier or receipt of goods, works or service.

Whenever a provision has been charged for the impairment of accounts receivable, the impairment loss is recognised at the gross amount of the receivable, including VAT.

Cash and cash equivalents

Cash and cash equivalents include cash in bank accounts that can be quickly converted into cash and deposits with an original maturity of less than three months.

In the event of restrictions on the right to use funds in current accounts with banks (for example, in the event of the NBU appointing a temporary administrator to a banking institution), these assets may be classified as non-current assets. If the NBU decides to liquidate a bank and there is no likelihood of recovering the funds, they are to be derecognised as assets and their value shall be recognised as a loss for the reporting period.

Equity

Equity of the Company includes:

- registered (statutory) capital;
- additional capital;
- reserve capital;

- retained earnings (uncovered loss).

The Company is wholly owned by the state through the Ministry of Defence of Ukraine. The authorised capital is not paid up. All changes to the authorised capital are made on the basis of a decision by the founder (owner).

Retained earnings (uncovered losses) are formed as a cumulative total by adding the net financial result of the Company's activities for the current period to the retained earnings of previous years, less the distribution of these earnings.

The balance of retained earnings is subject to distribution in accordance with the approved financial plan and the Articles of Association of the Company.

Profit is allocated through:

- Accrued dividends (part of net profit paid to the state budget of Ukraine, 80%);
- Allocation to funds (100% of the balance after deduction of the portion of net profit to the social and economic development fund, in accordance with clause 5.8 of the Articles of Association, the financial plan and the order on the procedure for using net profit dated 01.02.2023 No. 10)

Retained earnings shall be used only on the basis of a decision by the Company.

Mandatory deduction of part of profits to the state budget

In accordance with regulatory documents, this is reflected as a decrease in accumulated undistributed profits or an increase in uncovered losses in the period to which the profit relates.

Government grants

The Company applies the provisions of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance to business transactions that it carries out in performing the functions of a government agency in accordance with legislation, as well as in other cases of government assistance that meet the criteria of paragraph 1 of IAS 20.

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions for receiving them and that they will be received. They are recognised in profit or loss on a systematic basis over the periods in which the Company recognises the related expenses that the grants are intended to compensate for. However, government grants whose main condition is for the Company to purchase, construct or otherwise obtain non-current assets are recognised in the statement of financial position as government grants, with subsequent transfer to profit or loss on a systematic and rational basis over the useful life of the related assets.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. In the event that the Company anticipates being remunerated for some or all the expenses associated with the provisions (for instance, through insurance contracts), the compensation is acknowledged as a distinct asset, provided that the likelihood of receiving compensation is higher than not. In the statement of comprehensive income, expenses related to provisions are recognised net of the amount of compensation. When the time value of money has a significant impact, the amount of provisions is determined by discounting the estimated cash flows using a pre-tax discount rate that reflects the risks specific to the liability (if applicable). When discounting is applied, the increase in the amount of provisions reflecting the passage of time is recognised as a financial expense.

The Company charges the following provisions:

- Provision for employee benefits (for vacations and material incentives);

- Provision for onerous contracts;
- Provision for warranty repairs;
- Provision for litigations.

The provisions are used exclusively to reimburse the expenses for which they were charged.

Revenue recognition

Revenue is recognized, measured, presented and disclosed in accordance with the requirements of IFRS 15 Revenue from Contracts with Customers (IFRS 15).

The Company mainly receives income from:

- sale of special-purpose goods

The Company applies IFRS 15 Revenue from Contracts with Customers to such income, apart from income from state financing for the performance of state customer functions, which is accounted for in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance (see section 10 of this Accounting Policy).

In this section, the terms "Client" (or "Customer" in IFRS 15 terminology) refer to the central executive authority with discretionary powers to incur government expenditure on the procurement of defence-related goods, or another legal entity.

The term "consignee" refers to a unit of the Armed Forces of Ukraine or other armed formation established in accordance with Ukrainian law to which defence goods are directly transferred, or another legal entity.

The Company recognises revenue when (or as) it fulfils its performance obligation by transferring the promised good or service (i.e. an asset) to the customer. The transfer of an asset is confirmed upon the customer's acquisition of control.

Documentary evidence of the transfer of control to the Customer is the relevant Act of Acceptance and Transfer of Goods, which is the basis for recognising the Customer's accounts receivable from the Company (since, according to paragraph 108 of IFRS 15, accounts receivable are the Company's unconditional right to consideration).

Revenue recognition

In accordance with IFRS 15, income from ordinary activities is recognised when (or as) the Company fulfils its performance obligation by transferring the promised good or service to the customer. A good is considered transferred when (or as) the customer takes control of it. Specifically, revenue is recognised when control of the goods is transferred to the customer (Note 20).

In accordance with paragraph 32 of IFRS 15, the Company determines whether it will satisfy each separate performance obligation over time or at a point in time. To do so, the Company first checks whether at least one of the criteria for recognising revenue over time is met.

- The customer receives and consumes the benefits of the entity's obligation simultaneously.
- The customer controls the asset during its creation or improvement.
- The Company's fulfilment of its obligation does not result in the creation of an asset that can be used for something else.

If not, the Company recognises revenue at a specific point in time (after the obligation has been fulfilled in full). The Company employs the following methods to assess the degree of completion of an obligation:

1) Output method recognises revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract. Output methods include methods such as:

- surveys of performance completed to date,
- appraisals of results achieved,
- milestones reached,
- time elapsed and
- units produced or units delivered.

2) The input method assumes that the degree of completion of work is assessed based on the costs already incurred to perform the work/provide the service in relation to the total costs expected to be necessary to fulfil this performance obligation.

If none of the three criteria for recognising revenue over time are met, then the Company recognises revenue at a point in time. To determine the point in time at which the customer obtains control of the asset, the Company considers the following requirements for control over the asset:

- ability to direct the use of an asset;
- obtain substantially all the remaining benefits from an asset
- restrict the access of other entities to those benefits

In accordance with paragraph 107 of IFRS 15, the Company recognises a contractual asset when the transfer of goods/services to the Consignee specified by the Customer has taken place, but the conditions for recognising receivables from the Customer have not been met. The contractual asset is recognised in the amount of expenses actually incurred to perform the contract and is subject to final adjustment after the conditions for recognition of accounts receivable from the Customer are met.

Financial income and expenses

Expenses on loans are recognised in profit or loss for the period in which they are incurred.

Financial income is recognised in the period in which it is accrued, taking into account the actual yield of the relevant asset.

Deferred income tax

Deferred tax liabilities are amounts of income taxes payable in future periods in accordance with taxable temporary differences.

Deferred tax assets are amounts of income taxes recoverable in future periods in accordance with:

a) deductible temporary differences;

b) carry forward of unused tax losses;

c) carry forward of unused tax credits.

Current tax liabilities (assets) for the current and previous periods are measured at the amount expected to be paid to (reimbursed by) the tax authorities using the tax rates and tax legislation in force at the end of the reporting period.

Deferred tax assets and liabilities are measured on a quarterly basis at the tax rates expected to apply to the period when the asset is realised, or the liability is settled. These rates are based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and deferred tax assets shall reflect the tax consequences that would follow from the way the entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are not discounted.

Deferred tax assets (liabilities) on income tax are calculated using the balance sheet method. This involves determining temporary differences at the annual reporting date between the tax base of assets and their carrying amount for financial reporting purposes in accordance with IFRS.

The carrying amount of a deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilised in full or in part.

Current and deferred taxes should be recognised as income or expense and included in profit or loss for the period, except when the taxes arise from a transaction or event that is recognised in the same or a different period outside profit or loss, including:

- in other comprehensive income (e.g., change in carrying amount arising from revaluation of property, plant and equipment);
- directly in equity (e.g., adjustment of retained earnings at the beginning of the period arising from a change in accounting policy applied retrospectively or from the correction of an error).

Deferred tax assets and liabilities are presented on a net basis in the statement of financial position.

Contingent assets and liabilities

Contingent liabilities are not recognised in the financial statements. These are disclosed in the notes to the financial statements, except when the probability of an outflow of resources embodying economic benefits is insignificant.

Contingent assets are not recognised in the financial statements, but they are disclosed in the notes if there is a sufficient probability of an inflow of economic benefits.

(in thousands of hryvnias, unless otherwise stated)

6. Intangible assets

As at 31 December 2023-2022, intangible assets were stated as follows:

	Other intangible assets	Total
Initial cost		
As at 31 December 2022	7	7
Additions	3 014	3 014
As at 31 December 2023	**3 021**	**3 021**
Accumulated amortization		
As at 1 January 2023	**(1)**	(1)
Amortisation charges	(45)	**(45)**
As at 31 December 2023	**(46)**	**(46)**
Net carrying amount		
As at 31 December 2022	**6**	**6**
As at 31 December 2023	**2 975**	**2 975**

7. Property, plant and equipment

The movement of property, plant and equipment and construction in progress for the year ended 31 December 2023-2022 is presented as follows:

	Machinery and equipment	Total
Initial cost		
As at 31.12.2022	**1 924**	**1 924**
Additions	3 508	3 508
As at 31.12.2023	**5 432**	**5 432**
Accumulated depreciation and impairment		
As at 31.12.2022	**(700)**	**(700)**
Accrued for the year	(701)	(701)
As at 31.12.2023	**(1 401)**	**(1 401)**
Net carrying amount		
As at 31 December 2022	**1 224**	**1 224**
As at 31 December 2023	**4 031**	**4 031**

Property, plant and equipment temporarily not in use

As of 31 December 2023-2022, the Company has no property, plant and equipment temporarily not in use on its balance sheet.

Property, plant and equipment pledged as collateral

The Company's property, plant and equipment are not pledged as collateral. There are no prepayments for them as at 31 December 2023-2022.

(in thousands of hryvnias, unless otherwise stated)

8. Inventories

As at 31 December 2023 -2022, inventories were stated as follows:

	31 December 2023	31 December 2022
Goods	1 292 833	909
Work in progress	60 031	37 547
Production inventories	27	-
Including		
Expenditure on export licences, export control services, logistics, brokerage and transport	845	286
Bank commission for foreign currency payments	302	73
Exchange rate costs when purchasing foreign currency	27 920	32 591
Salaries	7 082	2 851
Single social security tax (SSST) on salaries	701	610
Provision for material incentives and vacations	14 427	-
Single social security tax from provisions charged	3 043	
Travel expenses	5 711	1 136
Total	**1 352 891**	**38 456**

9. Accounts receivable for products, goods, works, services

As of 31 December 2023 -2022, accounts receivable for products, goods, works and services were as follows:

	31 December 2023	31 December 2022
Accounts receivable for products, goods, works, services:	59 417	6 060
Allowance for expected credit losses	-	-
Total	**59 417**	**6 060**

Accounts receivable for products, goods, works and services also include amounts due from related parties (Note 26).

Information on the Company's exposure to credit and currency risks, as well as losses from impairment related to accounts receivable for products, goods, works and services, is disclosed in Note 27.

Accounts receivable for products, goods, works, and services are usually settled within 30 days.

The analysis of maturity of accounts receivable for goods, works, services, advances made, and other current accounts receivable is presented in the following table:

(in thousands of hryvnias, unless otherwise stated)

	Total	Not past due and not impaired	Past due but not impaired	
			Overdue less than one year	Overdue for more than a year
31 December 2023	18 680 118	18 551 797	118 766	9 555
31 December 2022	2 752 979	2 752 979	-	-

10. Other current accounts receivable

As at 31 December 2023 -2022, other current receivables were as follows:

	31 December 2023	31 December 2022
Settlements with accountable persons	211	1 052
SSST settlements	2 112	-
Other accounts receivable	8	8
Total	**2 331**	**1 060**

11. Cash and cash equivalents

As of 31 December 2023 -2022, cash and cash equivalents included:

	31 December 2023	31 December 2022
Cash on bank accounts	1 074 878	53 669
Cash with special conditions for use in national currency	449 760	88 518
Cash with special conditions for use in foreign currency (letter of credit)	96 043	-
Cash with special conditions for use (VAT)	22	-
Total	**1 620 703**	**142 187**

As of 31 December 2023, the Company's balance sheet showed restricted cash in the amount of UAH 449,760 thousand (as of 31 December 2022 – UAH 88,518 thousand) in the treasury account of the city of Kyiv, intended for specific purchases under contracts with the Ministry of Defence of Ukraine, as well as UAH 96,043 thousand on a letter of credit with JSC Ukreximbank, which was closed on 7 February 2024.

As a state customer service, the Company received UAH 21,806,541 thousand to a special treasury account, of which UAH 123,159 thousand (2.75%) were allocated for the maintenance of the customer's service.

During the year, all the funds allocated under the general fund for state customer service were used, and the balance of funds under the special state fund was written off to state revenue in connection with the end of the budget year (UAH 12,882 thousand).

12. Other current assets

(in thousands of hryvnias, unless otherwise stated)

As at 31 December 2023 -2022, other current assets included:

	31 December 2023	31 December 2022
VAT in settlements	88 918	19
Total	**88 918**	**19**

13. Equity

Statutory capital

The Company is wholly owned by the state. As of 31 December 2023-2022, the Company's statutory capital amounted to UAH 1,000 thousand.

Retained earnings

The balance of retained earnings shall be distributed in accordance with the internal regulatory documents of the Company.

Profit shall be distributed through:

- Accrued dividends (part of net profit paid to the state budget of Ukraine, 80%);
- Allocation to funds (social and economic fund, 100% after deduction of dividends).

Retained earnings shall be used only based on the Company's decision.

Profit distribution and dividends

The distribution of profits to owners is determined on the basis of the Company's IFRS financial statements. In accordance with Ukrainian legislation, the amount of net profit payable to the state budget is limited to the amount of net profit for the reporting period, but not exceeding the amount of undistributed profit calculated based on separate financial statements prepared in accordance with IFRS.

The distribution of profits to shareholders is determined on the basis of the Company's IFRS financial statements. The Company is required to determine the allocation of dividends by 30 April and to transfer the relevant amount to the state budget by 30 June of the year following the reporting year. The Cabinet of Ministers of Ukraine approves the rate of profit allocated for the payment of dividends by a separate resolution each year. If no such resolution is adopted by 30 June, the Company is required to transfer 80% of its net profit to the state budget of Ukraine, as provided for in the Law of Ukraine "On Management of State Property" No. 185-V dated 21 September 2006.

As of 31 December 2023, the Company accrued dividend liabilities for 2023 in the amount of UAH 292,782 thousand for future transfer of a share of profit to the State Budget of Ukraine (2022 – UAH 197 thousand).

14. Targeted financing

As of 31 December 2023, targeted financing in the amount of UAH 16,885,891 thousand represents funds received from the Ministry of Defence of Ukraine for economic operations carried out by the Company in performing its functions as a state customer in accordance with the law.

15. Current accounts payable for goods, works and services

As of 31 December 2023 -2022, current accounts payable for goods, works and services were as follows:

(in thousands of hryvnias, unless otherwise stated)

	31 December 2023	31 December 2022
Current accounts payable for goods, works and services	1 177 996	133
Total	**1 177 996**	**133**

16. Current accounts payable on settlements with the budget

As of 31 December 2023-2022, current accounts payable to the budget were as follows:

	31 December 2023	31 December 2022
Part of net profit	150 048	197
Income tax	12 000	54
Other (IIT and military tax)	734	-
Total	**162 782**	**251**

17. Current provisions

As at 31 December 2023 -2022, long-term and current provisions were as follows:

	Provisions for employee benefits for unused vacation	Provisions for employee benefits as material incentives	Provision for warranty repairs	Provision for litigation	Total
Charged for the year	769	5 807	-	-	6 576
31 December 2022	**769**	**5 807**	**-**	**-**	**6 576**
Used for the year	7 923	66 191	66 713	225 719	366 546
Used or paid	8 182	23 173	-	153 295	184 650
31 December 2023	**510**	**48 825**	**66 713**	**72 424**	**188 472**

Provisions for employee benefits

As at 31 December 2023, short-term provisions for employee benefits include provisions for unused vacation and material incentives.

Provision for warranty repairs

As at 31 December 2023, provisions for warranty obligations include obligations for repairs of military equipment for the Ministry of Defence and are short-term provisions.

Provisions for litigation

As at 31 December 2023, short-term provisions for litigation provide for probable future expenses related to liabilities that are subject to legal proceedings.

18. Other current liabilities

(in thousands of hryvnias, unless otherwise stated)

As at 31 December 2023 -2022, other current liabilities and current payables on advances received were as follows:

	31 December 2023	31 December 2022
Accounts payable for repayable financial assistance received	-	40 000
Settlements with accountable persons, alimony	112	2
Total	**112**	**40 002**

19. Income tax

The income tax (expense)/income components for the year were as follows:

	2023	2022
Current income tax	106 553	54
Deferred tax	(25 045)	-
Total	**81 508**	**54**

The components of income tax expense for the Company for the years ended 31 December were as follows:

	2023	2022
Profit/(loss) before tax	447 485	299
Income tax expense/(income) at a tax rate of 18%	80 547	54
Other differences	961	-
Income tax expenses/(gain)	**81 508**	**54**

The following table presents the main deferred tax liabilities and assets recognised by the Company and changes during the year:

	31 December 2023	Recognized in profit or loss	31 December 2022
Provisions for reimbursement of future expenses for warranty obligations	12 009	12 009	-
Provision for reimbursement of future expenses for court obligations	13 036	13 036	-
Deferred tax assets	**25 045**	**25 045**	**-**

20. Net income from sales of products

Net income from product sales is presented as follows:

	2023	2022
Income from sales of goods	25 084 150	609 197
Income from sales of services	745 558	-
Including sales for the benefit of the Ministry of Defence	25 829 708	609 197
Total	**25 829 708**	**609 197**

21. Cost of sales

(in thousands of hryvnias, unless otherwise stated)

The cost of sales is presented as follows:

	2023	2022
Cost of purchased goods	24 310 480	599 881
Labour costs and single social security tax	2 594	1 436
Expenses accumulated in the "General production expenses" account and charged to the cost of goods sold during the period of sale	4 219	-
Including salaries and single social security tax	3 657	-
Including travel costs	562	-
Expenses accumulated in the account "Work in progress" and charged to the goods sold in the period of sale of goods, services	772 741	-
including: salaries and SSST	32 994	-
travel costs	9 128	
cost of repairing special-purpose equipment	730 541	-
Other	78	-
Total	**25 090 034**	**601 317**

22. Other operating income

Other operating income is stated as follows:

	2023	2022
Recognition of income in the amount of expenses incurred while performing the functions of the State Customer Service	57 229	-
Interest income on account balances	21 693	9 336
Asset received for free	2 377	-
Compensation received for expenses incurred	245	-
Total	**81 544**	**9 336**

23. Administrative expenses

Administrative expenses are stated as follows:

	2023	2022
Labour costs and SSST	65 091	6 098
Expenses to charge a material incentive provision	46 885	5 807
Expenses for the purchase of services related to the maintenance of the Company	9 045	1 556
Expenses to charge the provision for vacation	4 558	769
Court and arbitration fees	748	-
Amortisation	465	701
Travel expenses, business expenses	310	270
Write-off of inventory	255	264
Bank charges	9	7
Total	**127 366**	**15 472**

24. Other operating expenses

(in thousands of hryvnias, unless otherwise stated)

Other operating expenses are stated as follows:

	2023	2022
Provision of warranty repairs	66 713	-
Expenses recognised during the performance of the Customer Service functions	57 229	-
Provision for future legal expenses, material support	57 074	-
Expenses from operating exchange rate differences	36 627	1 399
Expenses accumulated in the "Work in progress" account and transferred to other operating expenses:	23 120	-
Court fees and penalties for failure to meet delivery deadlines under MDU contracts	4 957	-
Expenses for sick leave paid by the company	418	41
Bank fees	58	-
Inventories written off	79	-
Travel costs	76	-
Other expenses	16	5
Total	**246 367**	**1 445**

25. Contingencies and commitments, operational risks

Legal aspects

Management believes that any liabilities arising from legal proceedings and disputes will not have a material adverse impact on the Company's financial position or the results of its future operations, other than those included in the provision for litigation. The Company has also identified potential liabilities that it believes must be accrued. If such potential liabilities become actual, the Company will be required to recognise additional losses.

Tax risks

The tax environment in Ukraine is characterised by a complex tax administration system and conflicting interpretations of tax legislation and regulations by the tax authorities. This may, among other things, increase financial pressure on taxpayers.

The inconsistent application, interpretation and enforcement of tax legislation can lead to litigation and ultimately result in significant additional taxes, fines and penalties. In light of the current economic and political challenges, the government is considering reforms to Ukraine's tax system. It is difficult to predict exactly what measures will be implemented as part of these reforms and how they will affect the tax environment in general and the Company's tax position in particular.

As at 31 December 2023 and 31 December 2022, the Company is not a plaintiff in any legal proceedings with the tax authorities. Where there is a risk of losing additional resources due to the uncertainty of Ukrainian tax legislation and other regulatory acts, and where it is probable and the amount can be determined with reasonable certainty, the Company charges a corresponding provision for possible future expenses. The Company also identifies potential tax liabilities. These potential liabilities may become actual liabilities, in which case the Company would be required to pay additional taxes and other deductions. As at 31 December 2023 and 31 December 2022, there were no such liabilities.

The Company conducts transactions with related parties. Due to changes in the interpretation of tax legislation in Ukraine and the approach of the tax authorities in accordance with the new Tax Code, there is a possibility that such transactions may be challenged in the future. While the consequences of such challenges cannot be predicted, management believes they will be insignificant.

The Company is currently obtaining the necessary documentation from non-residents regarding controlled transactions in accordance with the law and is monitoring controlled transactions. Management is confident that the Company is in full compliance with transfer pricing requirements.

The impact of state on the Company's operations

The defence industry plays a pivotal role in Ukraine's economy, security, and strategic interests. The Ukrainian government has the ability to significantly influence the Company's activities through its ownership rights. Such control may result from social and economic initiatives, which could have an adverse impact on the Company's current and future operations. Management is unable to assess the level of control that may exist in the future, nor the potential impact on the Company's financial condition and results of operations.

Licensing

The Company carries out its main activities, which are not subject to licensing.

Social commitments

The Company makes contributions to mandatory social programmes. The Company's social facilities, as well as regional social programmes, bring public benefits in a broad sense and, as a rule, are not limited to the Company's employees.

Insurance

The Company is not insured against business interruption or liability to third parties for property or environmental damage resulting from accidents relating to the Company's property or activities. Without adequate insurance, the loss or destruction of certain assets could materially affect the Company's operations and financial condition.

Contingent liabilities related to environmental protection

Environmental legislation in Ukraine is constantly evolving, and the government is continually reviewing its position on ensuring compliance with this legislation. The Company periodically reviews its obligations under environmental legislation.

Any identified liabilities are recognised immediately. If no current or future reimbursements are expected, expenses relating to environmental liabilities are recognised as such. However, expenses incurred to extend the useful life of the relevant property, or to reduce or prevent future environmental pollution, are capitalised. Potential liabilities that may arise from stricter legal requirements, civil litigation or legislative changes cannot be estimated. Based on the current situation with law enforcement under existing legislation, management believes that the Company has no significant environmental liabilities requiring recognition in these financial statements.

26. Related party transactions

In accordance with IAS 24 Related Party Disclosures, related parties are parties that have the ability to control or significantly influence the operating and financial decisions of the other party. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

Related parties may enter into transactions that unrelated parties would not. The terms of such transactions may differ from those of transactions between unrelated parties.

As stated in Note 1, the Company is under the direct control of the Ukrainian government through the Ministry of Defence of Ukraine. Consequently, all state-controlled companies are considered related parties under common control.

Related parties to the Company are:

(in thousands of hryvnias, unless otherwise stated)

- key management personnel and members of their families;
- other related parties include the state, entities affiliated with public authorities (directly and indirectly), as well as entities that are controlled, jointly controlled or significantly influenced by them.

Information on significant amounts and balances of related party transactions as at and for the year ended 31 December 2023 and 31 December 2022 is presented in the tables below.

During the years ended 31 December 2023 and 2022, the Company's net income from the sale of goods, works and services to its related parties amounted to:

With the governing body - the Ministry of Defence of Ukraine:

	2023	2022
Net income from sales of products (goods, works, services) to major related parties	25 829 708	609 197

During the years ended 31 December 2023 and 2022, the value of goods, works and services purchased from related parties amounted to:

Other enterprises (state-owned enterprises) related parties:

	2023	2022
Cost of purchased goods, inventories from related parties	2	2
Cost of purchased services from related parties	1 433	15 763
Total	**1 435**	**15 765**

During the year ended 31 December 2023 and 2022, the Company had the following other related party transactions:

Other enterprises (state-owned enterprises) related parties:

	2023	2022
Other operating income	21 693	9 319
Administrative expenses	(123)	(6)

Accounts receivable, cash and cash equivalents, accounts payable

With the governing body - Ministry of Defence of Ukraine:

	31 December 2023	31 December 2022
Accounts receivable for products, goods, works, services	59 417	6 060
Current accounts payable on advances received	3 295 502	2 889 441

Other enterprises (state-owned enterprises) related parties:

(in thousands of hryvnias, unless otherwise stated)

	31 December 2023	31 December 2022
Accounts receivable on settlements on accrued income	3 071	2 835
Accounts receivable on advances made	9 488 018	-
Cash and cash equivalents	1 620 703	142 187
Other current liabilities	-	40 000
Current accounts payable for goods, works, services	50 556	-

Remuneration to the key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel include the Company's director, his deputies and the chief accountant.
During 2023, the key management personnel consisted of seven people (four in 2022). In 2023, remuneration to the key management personnel, included in personnel expenses, consisted of salaries and single social security tax and amounted to UAH 14,390 thousand (in 2022 – UAH 1,642 thousand).

27. Objectives and policies of financial risks management

The Company's main financial instruments are cash and cash equivalents. The primary purpose of these instruments is to finance the Company's activities. The Company also holds other financial instruments, including accounts receivable and payable arising from operating activities. The Company has not entered into any derivative transactions to manage the interest rate and currency risks associated with its activities and sources of financing.

The main risks associated with the Company's financial instruments are liquidity risk, currency risk, and credit risk. The Company has policies in place to manage each of these risks, which are described below.

Currency risk

The Company conducts business in Ukraine and is primarily exposed to currency risk through providing services under commission agreements denominated in US dollars or euros. It does not hedge its currency positions.

The table below discloses information on the sensitivity of profit or loss to reasonably possible changes in exchange rates applied as at the reporting date, assuming that all other variables remain unchanged.
The Company's assets and liabilities subject to currency risks are presented in the table in hryvnia equivalent at the NBU exchange rate:

31 December 2023	USD	EUR	UAH	Total
Accounts receivable for goods, works, services	-	-	59 417	59 417
Cash and cash equivalents	-	96 043	1 524 660	1 620 703
Total financial assets	**-**	**96 043**	**1 584 077**	**1 680 120**
Accounts payable for goods, works, services	151 922	974 173	51 901	1 177 996
Other current payables	-	-	112	112
Total financial liabilities	**151 922**	**974 173**	**52 013**	**1 178 108**
Net currency position	**(151 922)**	**(878 130)**	**1 532 064**	**502 012**

(in thousands of hryvnias, unless otherwise stated)

31 December 2022	USD	EUR	UAH	Total
Accounts receivable for goods, works, services	-	-	6 060	6 060
Cash and cash equivalents	-	-	142 187	142 187
Total financial assets	**-**	**-**	**148 247**	**148 247**
Accounts payable for goods, works, services	-	-	133	133
Other current payables	-	-	40 002	40 002
Total financial liabilities			**40 135**	**40 135**
Net currency position	**-**	**-**	**108 112**	**108 112**

Credit risk

The Company assumes credit risk, defined as the risk that one party to a financial instrument will cause financial loss to the other party as a result of failing to fulfil its obligations. The sale of products by the Company on credit terms and other transactions with counterparties that result in financial assets are the main sources of credit risk. The Company's policy is that customers who wish to pay on credit terms must undergo a credit check. Significant outstanding balances are also reviewed on an ongoing basis.
The Company is unable to manage its credit risk effectively because the terms and conditions for repayments on the sale of certain products are determined by the Ministry of Defence of Ukraine and its subordinate agencies.
According to the international ratings agency Fitch, the credit ratings of the financial institutions with which the Company works are as follows:

Name of a financial institution	Credit rating	31 December 2023	31 December 2022
JSC Ukreximbank	CCC– tight liquidity (Fitch)	1 170 778	53 669
JSC Oschadbank	CCC- tight liquidity (Fitch)	143	-
State Treasury of Ukraine in Kyiv	Undefined	449 782	88 518
Total cash and cash equivalents		**1 620 703**	**142 187**

The maximum level of credit risk is equal to the carrying amount of the financial assets presented below:

	31 December 2023	31 December 2022
Cash and cash equivalents	1 620 703	142 187
Trade accounts receivable for products, goods, works and services	59 417	6 060
Total	**1 680 120**	**148 247**

Concentration risk

The Company is exposed to concentration risk in relation to trade receivables for goods, works and services. As at 31 December 2023, trade receivables from one key customer accounted for 100% of total trade receivables for goods, works and services.

Capital management

The Company's financing is primarily derived from its equity and borrowings.

(in thousands of hryvnias, unless otherwise stated)

The primary objective of the Company's capital management is to maintain sufficient creditworthiness and equity ratios in order to preserve the Company's ability to continue its operations. Capital management is primarily concerned with ensuring compliance with Ukrainian legislation and the national regulatory authority's requirements for state defence procurement.
The Company's capital management policy aims to optimise the capital structure, thereby reducing overall costs and providing the flexibility necessary for the Company to access capital markets. Management seeks to maintain a balance between the higher returns that can be achieved with a higher level of debt and the advantages and stability provided by a strong capital position. There have been no changes to the approach to capital management during the reporting period.

As at 31 December 2023, the Company has no outstanding credit obligations; the obligation for repayable financial assistance in the amount of UAH 40,000 thousand was repaid on 28 July 2023.

The ratio of borrowed funds to own funds as at 31 December 2023 and 2022 is presented as follows:

	2023	2022
Current accounts payable for goods, works, services	1 177 996	133
Other current liabilities	112	40 002
Less cash and cash equivalents	(1 620 703)	(142 187)
Net debt	**(442 595)**	**(102 052)**
Total equity	73 245	49
Debt-to-capital ratio	**6%**	**2083%**

Liquidity risk

The Company's objective is to maintain a balance between continuity of financing and flexibility by using credit terms provided mainly by suppliers and banks. The Company analyses maturity of its assets and liabilities and plans its liquidity depending on the expected maturity of its obligations under the relevant instruments. In the event of insufficient or excessive liquidity, the Company reallocates resources to achieve optimal financing of its activities.
The table below presents an analysis of the Company's financial liabilities, which are classified based on their respective maturity dates and the remaining period to maturity as at the reporting date. The amounts disclosed in the table represent the undiscounted cash flows of the principal amount of debt and interest.

The analysis of financial liabilities by maturity as at 31 December 2023 is presented below:

2023	On demand	For 12 months	1-5 years	Over 5 years	Total
Current accounts payable for goods, works, services	-	1 177 996	-	-	**1 177 996**
Other current liabilities	-	112	-	-	**112**
2022					
Current accounts payable for goods, works, services	-	133	-	-	**133**
Other current liabilities	-	40 002	-	-	**40 002**

28. Fair value of financial instruments

As at 31 December 2023 and 31 December 2022, the fair value of financial assets and liabilities was approximately equal to their carrying amount.
The fair value of financial instruments is determined and disclosed in accordance with the requirements of IFRS 7 Financial Instruments: Disclosures and IFRS 13 Fair Value Measurement. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether this price is directly observed or determined using another valuation technique. When measuring the fair value of an asset or liability, the Company takes into account the characteristics of the asset or liability as if market participants had taken these characteristics into account in calculating the value of the asset or liability at the measurement date. For the purposes of measurement or disclosure in these financial statements, fair value is determined on the basis described above.
As there is no observable market for most of the Company's financial instruments, professional judgement based on the current economic situation and specific risks inherent in the instrument must be used to determine their fair value. All financial assets and liabilities are classified as Level 2 in the hierarchy. The estimates presented in these financial statements do not necessarily reflect the amounts the Company could realise for a particular instrument on the market.
The Company uses the following hierarchy to determine the fair value of financial instruments and disclose information about it by measurement category:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability

During the reporting period, there were no transitions between fair value measurement Levels 1 and 2, nor any transitions to/from Level 3.

29. Events after the reporting period

Martial law and hostilities are ongoing in Ukraine. The war has had a significant impact on the country's economic and social transformation process and has caused a humanitarian and environmental disaster on the continent.

In the context of war, it is impossible to implement ideas for sustainable development in Ukraine due to inflation induced by the war, rising prices, disrupted supply chains and high unemployment.

As we move forward, the key risk is that the war could potentially continue even if the fighting is localised. This would necessitate the sustained operation of the economy in challenging conditions over an extended period, potentially exacerbating the downturn and increasing the reliance on external support. It is also important to note that the war would have a significant impact on the global economy.

The growing international support for Ukraine is a result of the resistance of the Armed Forces, effective diplomacy and extensive global media coverage of events. The primary mechanisms of support are the provision of weapons, financial and humanitarian aid, and the imposition of sanctions on russia.

The situation is developing, and the consequences are yet unclear. It is not possible for management to predict all changes that may affect the national economy, nor to predict the impact these changes may have on the Company's financial position and results of operations in the future. Management continues to monitor the potential impact of these events on the Company and will take all possible measures to mitigate any consequences.

The management of the Company cannot predict all changes that may affect the national economy, nor can it predict the impact that such changes may have on the financial condition and results of operations of the Company in the future.
In accordance with the order of the Ministry of Defence of Ukraine dated 02.05.2025. No. 281 "On the Reorganisation of the State Enterprise of the Ministry of Defence of Ukraine "State Logistics Operator", the process of joining the state enterprise of the Ministry of Defence of Ukraine "Defence Procurement Agency" has been initiated, and the latter has been recognised as the successor to all rights and obligations of the state enterprise of the Ministry of Defence of Ukraine "State Logistics Operator".

There were no other significant events that affected or could affect the financial position, cash flows or results of operations of the Company between the reporting date and the date of signing of the Company's financial statements for 2023 prepared in accordance with IFRS.

Approval of the financial statements

These financial statements of the Company for the year ended 31 December 2023 were approved for issue and signed by the Management on 23 May 2025.

Director Zhumadilov A.K.

Chief Accountant Ilchuk I.A.