

**State Enterprise of the Ministry of Defense of  
Ukraine “Defense procurement Agency”**

**Financial Statements**

For the Year Ended 31 December 2024

Together with Independent Auditor’s Report

CONTENTS

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS .....	1
STATEMENT OF FINANCIAL POSITION .....	2
STATEMENT OF FINANCIAL POSITION .....	3
INCOME STATEMENT (STATEMENT OF COMPREHENSIVE INCOME) .....	4
STATEMENT OF CASH FLOWS (DIRECT METHOD) .....	6
STATEMENT OF CASH FLOWS .....	7
STATEMENT OF CHANGES IN EQUITY .....	8
STATEMENT OF CHANGES IN EQUITY .....	9
1. General information .....	10
2. Basis of preparation of financial statements .....	12
3. Application of new and revised International Financial Reporting Standards .....	13
4. Significant accounting judgements, estimates and assumptions .....	16
5. Significant accounting policies .....	17
6. Intangible assets .....	28
7. Property, plant and equipment .....	28
8. Lease .....	29
9. Inventories .....	29
10. Accounts receivable for products, goods, works, services .....	30
11. Accounts receivable on advances made .....	30
12. Other current accounts receivable .....	30
13. Accounts receivable from the budget .....	30
14. Cash and cash equivalents .....	31
15. Other current assets .....	31
16. Equity .....	31
17. Target financing .....	32
18. Current accounts payable for goods, works and services .....	32
19. Current accounts payable on settlements with the budget .....	32
20. Current provisions .....	33
21. Other current liabilities .....	33
22. Income tax .....	33
23. Net income from sales of products .....	34
24. Cost of sales .....	34
25. Other operating income .....	35
26. Administrative expenses .....	35
27. Other operating expenses .....	35
28. Contingencies and commitments, operational risks .....	36
29. Related party transactions .....	37
30. Objectives and policies of financial risks management .....	39
31. Fair value of financial instruments .....	41
32. Events after the reporting period .....	41

## 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 2024;
- Income statement (Statement of comprehensive income) for 2024;
- Statement of cash flows (under direct method) for 2024;
- Statement of changes in equity for 2024;
- Notes to the financial statements, including material accounting policy information.

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 2024, 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" No. 996-XIV dated 16.07.1999 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 thus did not observe the counting of physical inventories at the carrying amounts of UAH 1 352 891 thousand. 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 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 2024.

##### 2. Settlements with counterparties

The responses received from certain counterparties of the Company - external confirmations of amounts owed as at 31 December 2024 include unmatched amounts in respect of the following items:

- an unmatched amount of UAH 1 218 346 thousand in respect of the item "Accounts receivable for advances made" (line 1130 of the statement of financial position) with a carrying amount of UAH 143 588 589 thousand;
- an unmatched amount of UAH 290 922 thousand in respect of the item "Current accounts payable for goods, works, services" (line 1615 of the statement of financial position) with a carrying amount of UAH 5 228 597 thousand.



### **Basis for qualified opinion**

We were unable to determine whether adjustments might have been found necessary to the carrying amount of the item "Accounts receivable for advances made" and the item "Current accounts payable for goods, works, services" as at 31 December 2024, 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 year ended 31 December 2024.

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 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.

### **Emphasis of matter - concentration of activities**

We draw attention to Note 29 to these financial statements, which states that the Company is under the direct control of the Ukrainian government, represented by the Ministry of Defence of Ukraine, and, accordingly, all state-controlled enterprises are considered related parties under common control. As such, the Company has a significant concentration of related party transactions.

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 2024.

Other information consists of the Management Report for 2024, prepared in accordance with the requirements of the Law of Ukraine "On Accounting and Reporting in Ukraine" No. 996-XIV dated 16.07.1999.

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

### Other information

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.

### Management Report for 2024

The Company has prepared and plans to publish its Management Report for 2024 after the date of publication of this independent auditor's report. In the Management Report for 2024, we have not identified any material inconsistencies between other information and the financial statements, or our knowledge obtained during the audit, or that this information appears to be materially misstated, and we have not identified any facts that would need to be included in our independent auditor's report.

### Responsibility of management and those charged with governance for the 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" No. 996-XIV dated 16.07.1999 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 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;



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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

### 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" No. 2258-VIII dated 21.12.2017 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 Resolution No. 1 of the Company's Supervisory Board dated 28 April 2025. The "Report on the Audit of Financial Statements" section of this independent auditor's report discloses the scope of the audit and the inherent limitations.
- BDO LLC performed this assignment in accordance with the contract for audit services No. 33-40-D-25 dated 2 May 2025. The audit commenced on 15 May 2025 and will be completed on 29 August 2025.
- 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 three years. For BDO LLC, this assignment is also the third 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" No. 2258-VIII dated 21 December 2017.
- 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

### Report on the requirements of other legislative and regulatory acts

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" No. 2258-VIII dated 21.12.2017.

- 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 29 August 2025.
- During 2024-2025, BDO LLC did not provide the Company with other services, except for statutory audit services.
- 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, 29 August 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-audytorskoj-dijalnosti-jaki-majut-pravo-provodyty-obovjazkovyj-audyt-finansovoi-zvitnosti-pidpryjemstv-shho-stanovljat-suspilnyj-interes/>



**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE 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 2024, 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 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 2024 were approved on 26 August 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 2024**

**(in thousands of hryvnias, unless otherwise stated)**

Date (year, month, day)

Entity **State Enterprise of the Ministry of Defence of Ukraine "Defence Procurement Agency"** EDRPOU  
Dnnytsa region KOATUU  
Legal form State enterprise KOPFG  
Type of economic activity Non-specialised wholesale trade KVED  
Average number of employees<sup>1</sup> 284  
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

CODE		
2024	12	31
44725823		
800000000000551439		
140		
46.90		

V

**Balance Sheet (Statement of Financial Position)**

Form No. 1

DKUD Code

1801001

Asset	Line code	Note	As at 31.12.2023	As at 31.12.2024
1	2	3	4	5
<b>I. Non-current assets</b>				
Intangible assets	1000	6	2 975	3 729
historical cost	1001		3 021	3 901
accumulated amortisation	1002		(46)	(172)
Construction in progress	1005		-	53
Property, plant and equipment	1010	7	4 031	11 574
historical cost	1011		5 432	18 881
depreciation	1012		(1 401)	(7 307)
Long-term accounts receivable	1040	8	-	5 452
Deferred tax assets	1045	22	25 045	30 638
Other non-current assets	1090	8	-	17 584
<b>Total in Section I</b>	<b>1095</b>		<b>32 051</b>	<b>69 030</b>
<b>II. Current assets</b>				
Inventories	1100	9	1 352 891	1 268 696
production stocks	1101		27	496
work in progress	1102		60 031	56 463
goods	1104		1 292 833	1 211 737
Accounts receivable for products, goods, works, services	1125	10	59 417	80 539
Accounts receivable for settlements:			-	-
on advances made	1130	11	18 620 701	143 588 589
with budget	1135	13	6 934	105 094
including income tax	1136		-	17 763
Accounts receivable for accrued income	1140		3 071	2 632
Other current accounts receivable	1155	12	2 331	29 244
Cash and cash equivalents	1165	14	1 620 703	701 448
Deferred expenses	1170		61	155
Other current assets	1190	15	88 918	247 400
<b>Total in Section II</b>	<b>1195</b>		<b>21 755 027</b>	<b>146 023 797</b>
<b>III. Non-current assets held for sale and disposal groups</b>	<b>1200</b>		-	-
<b>Balance</b>	<b>1300</b>		<b>21 787 078</b>	<b>146 092 827</b>

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

**STATEMENT OF FINANCIAL POSITION**

**as at 31 December 2024**

**(in thousands of hryvnias, unless otherwise stated)**

Liability	Line code	Note	As at 31.12.2023	As at 31.12.2024
<b>I. Equity</b>				
Registered (share) capital	1400	16	1 000	1 000
Capital in revaluation surplus	1405		-	-
Additional capital	1410	16	73 245	73 154
Capital reserves	1415		-	-
Retained earnings (uncovered loss)	1420		-	(58 531)
Unpaid capital	1425	16	(1 000)	(1 000)
Withdrawn capital	1430		-	-
Other reserves	1435		-	-
<b>Total in Section I</b>	<b>1495</b>		<b>73 245</b>	<b>14 623</b>
<b>II. Long-term liabilities</b>				
Deferred tax liabilities	1500		-	-
Long-term bank loans	1510		-	-
Other long-term liabilities	1515	8	-	20 674
Long-term provisions	1520		-	-
Target financing	1525	17	16 885 891	138 985 257
<b>Total in Section II</b>	<b>1595</b>		<b>16 885 891</b>	<b>139 005 931</b>
<b>III. Current liabilities and provisions</b>				
Short-term bank loans	1600		-	-
Current accounts payable for:			-	-
Long-term liabilities	1610	8	-	5 509
Goods, works, services	1615	18	1 177 996	5 228 597
Budget settlements	1620	19	162 782	4 886
Including income tax	1621		12 000	-
Insurance	1625		49	1 574
Remuneration of labour	1630		3 029	15 376
Current accounts payable for advances received	1635		3 295 502	1 405 177
Current provisions	1660	20	188 472	145 159
Other current liabilities	1690	21	112	265 995
<b>Total in Section III</b>	<b>1695</b>		<b>4 827 942</b>	<b>7 072 273</b>
<b>Balance</b>	<b>1900</b>		<b>21 787 078</b>	<b>146 092 827</b>

These financial statements were authorised for issue on behalf of the Management on 26 August 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 2024**

**(in thousands of hryvnias, unless otherwise stated)**

Date (year, month, day)

Entity **State Enterprise of the Ministry of Defence of Ukraine "Defence Procurement Agency"** EDRPOU  
(name)

CODE		
2024	12	31
44725823		

Income Statement (Statement of Comprehensive Income)  
for 2024

Form No. 2

DKUD Code 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	23	4 788 608	25 829 708
Cost of sold products (goods, works, services)	2050	24	(4 688 649)	(25 090 034)
<b>Gross:</b>				
<b>Profit</b>	<b>2090</b>		<b>99 959</b>	<b>739 674</b>
<b>Loss</b>	<b>2095</b>		-	-
Other operating income	2120	25	502 141	81 544
Administrative expenses	2130	26	(119 850)	(127 366)
Selling and distribution costs	2150		-	-
Other operating expenses	2180	27	(544 757)	(246 367)
<b>Financial results from operating activities:</b>				
<b>Profit</b>	<b>2190</b>		-	<b>447 485</b>
<b>Loss</b>	<b>2195</b>		<b>(62 507)</b>	-
Equity income	2200		-	-
Other financial income	2220		163	-
Other income	2240		-	-
Financial expenses	2250		(1 781)	-
Equity loss	2255		-	-
Other expenses	2270		-	-
<b>Financial results before tax:</b>				
<b>Profit</b>	<b>2290</b>		-	<b>447 485</b>
<b>Loss</b>	<b>2295</b>		<b>(64 125 )</b>	-
Income tax expenses (gain)	2300	22	5 594	(81 508)
Profit (loss) from discontinued operations after tax	2305		-	-
<b>Net financial result:</b>				
<b>Profit</b>	<b>2350</b>		-	<b>365 977</b>
<b>Loss</b>	<b>2355</b>		<b>(58 531)</b>	-

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

**STATEMENT OF COMPREHENSIVE INCOME**

**for the year ended 31 December 2024**

**(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		-	-
<b>Other comprehensive income before tax</b>	<b>2450</b>		-	-
Income tax related to other comprehensive income	2455		-	-
<b>Other comprehensive income after tax</b>	<b>2460</b>		-	-
<b>Comprehensive income (sum of lines 2350, 2355 and 2460)</b>	<b>2465</b>		<b>(58 531)</b>	<b>365 977</b>

**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		1 783	414
Remuneration expenses	2505		413 620	155 476
Social charges	2510		50 562	18 420
Amortization	2515		13 020	746
Other operating expenses	2520		4 870 703	1 588 907
<b>Total</b>	<b>2550</b>		<b>5 349 688</b>	<b>1 763 963</b>

**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 26 August 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 (DIRECT METHOD)**

**for the year ended 31 December 2024**

**(in thousands of hryvnias, unless otherwise stated)**

Date (year, month, day)

Entity

**State Enterprise of the Ministry of  
Defence of Ukraine "Defence  
Procurement Agency"** EDRPOU  
(name)

CODE		
2024	12	31
21552117		

**Statement of Cash Flows (direct method)  
for 2024**

Form No. 3

DKUD Code 1801004

Item	Line code	For the reporting period	For the same period of the previous reporting year *Adjusted
1	2	3	4
<b>I. Cash flows from operating activities</b>			
<b>Inflows from:</b>			
Sale of products (goods, works, services)	3000	1 810 340	3 291 888
Return of taxes and levies	3005	-	-
Including value added tax	3006	-	-
Target financing	3010	303 772 968	21 777 406
Inflows of advances from buyers and customers	3015	1 595 270	26 272 936
Inflows from return of advances	3020	97 102	1 292 334
Inflows from interest on cash balances on current accounts	3025	34 297	21 457
Receipts from debtors of forfeits (fines, penalties)	3035	52 847	-
Other inflows	3095	152 599	8 757
<b>Expenditure to pay:</b>			
Goods (works, services)	3100	(3 344 684)	(1 455 978)
Remuneration	3105	(361 095)	(122 114)
Social charges	3110	(58 551)	(20 510)
Tax and levy liabilities	3115	(118 765)	(215 565)
Income tax liabilities	3116	(29 763)	(94 607)
Expenditures for payment of value added tax liabilities	3117	(32)	(91 247)
Liabilities on other taxes and levies	3118	(88 970)	(29 711)
Expenditure to pay advances	3135	(464 437)	(23 920 561)
Expenditure to pay target contributions	3140	(489 334)	(3 370 686)
Expenditures for payments to suppliers in the course of fulfilling the functions of the State Customer Service	3145	(303 322 968)	(21 654 246)
Other expenditures	3190	(50 892)	(263 251)
<b>Net cash flows from operating activities</b>	<b>3195</b>	<b>(695 303)</b>	<b>1 641 867</b>
<b>II. Cash flows from investment activities</b>			
<b>Inflows from sale of:</b>			
Financial investments	3200	-	-
Non-current assets	3205	-	-
<b>Inflows from received:</b>			
Interest	3215	-	-
Dividends	3220	-	-
Other inflows	3250	-	-
<b>Expenditure to purchase:</b>			
Financial investments	3225	-	-
Non-current assets	3260	(16 655)	(7 807)
Other payments	3290	-	-
<b>Net cash flow from investment activities</b>	<b>3295</b>	<b>(16 655)</b>	<b>(7 807)</b>

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

**STATEMENT OF CASH FLOWS**

**for the year ended 31 December 2024**

**(in thousands of hryvnias, unless otherwise stated)**

Item	Line code	For the reporting period	For the same period of the previous reporting year *Adjusted
1	2	3	4
<b>III. Cash flow from financial activity</b>			
Inflows from:			
Loans received	3305	-	-
Other inflows	3340	-	-
Expenditure to:			
Repay loans	3350	-	(40 000)
Pay interest	3360	-	-
Payment of dividends	3355	(176 897)	(142 931)
Expenditure on payment of finance lease liabilities	3365	(20 213)	
Other payments	3390	-	-
<b>Net cash flow from financial activity</b>	<b>3395</b>	<b>(197 110)</b>	<b>(182 931)</b>
<b>Net cash flow for the reporting period</b>	<b>3400</b>	<b>(909 068)</b>	<b>1 451 129</b>
Opening cash balance	3405	1 620 703	142 187
Effect of changes in exchange rates on cash balance	3410	(10 187)	27 387
<b>Closing cash balance</b>	<b>3415</b>	<b>701 448</b>	<b>1 620 703</b>

These financial statements were authorised for issue on behalf of the Management on 26 August 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 2024  
(in thousands of hryvnias, unless otherwise stated)

CODE		
2024	12	31
44725823		

Date (year, month, day)

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

(name)

Statement of Changes in Equity  
for 2024

Form No. 4

DKUD Code 1801005										
Item	Line code	Registered capital	Capital in revaluation surplus	Other reserves	Capital reserves	Retained (uncovered loss)	Unpaid capital	Withdrawn capital	Total	
1	2	3	4	5	6	7	8	9	10	
Opening balance (before adjustments)	4000	1 000	-	73 245	-	-	(1 000)	-	73 245	
Change in accounting policy	4005	-	-	-	-	-	-	-	-	
Correction of errors	4010	-	-	-	-	-	-	-	-	
Other changes	4090	-	-	-	-	-	-	-	-	
Adjusted opening balance	4095	1 000	-	73 245	-	-	(1 000)	-	73 245	
Net profit (loss) for the reporting period	4100	-	-	-	-	(58 531)	-	-	(58 531)	
Other comprehensive income for the reporting period	4110	-	-	-	-	-	-	-	-	
Profit allocation:										
Payments to owners (dividends)	4200	-	-	-	-	-	-	-	-	
Net profit attributable to the budget in accordance with legislation	4215	-	-	-	-	-	-	-	-	
Net profit for the creation of special (targeted) funds	4220	-	-	(91)	-	-	-	-	(91)	
Net profit for material incentives	4225	-	-	-	-	-	-	-	-	
Equity contributions	4240	-	-	-	-	-	-	-	-	
Other changes in equity	4290	-	-	-	-	-	-	-	-	
Total changes in equity	4295	-	-	(91)	-	(58 531)	-	-	(58 622)	
Closing balance	4300	1 000	-	73 154	-	(58 531)	(1 000)	-	14 623	

These financial statements were authorised for issue on behalf of the Management on 26 August 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)

Date (year, month, day)

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

(name)

Statement of Changes in Equity  
for 2023

Form No. 4

DKUD Code

1801005

Item	Line code	Registered capital	Capital in revaluation surplus	Other reserves	Capital reserves	Retained (uncovered loss)	earnings	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	-	-	73 245	-	-	-	(1 000)	-	73 245

These financial statements were authorised for issue on behalf of the Management on 26 August 2025:

Director

Zhumadilov A.K.

Chief Accountant

Ilchuk I.A.



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

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2024**

**(in thousands of hryvnias, unless otherwise stated)**

**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.

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
- 30.40 Manufacture of military fighting vehicles

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

The average number of full-time employees in 2024 was 284 (2023:154 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,



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

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2024**

**(in thousands of hryvnias, unless otherwise stated)**

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.

During 2024, the Company has concluded 743 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 (22 contracts for 2023). In accordance with the concluded state contracts, the Company conducted market marketing, negotiations with potential suppliers were conducted and 225 foreign economic import contracts were concluded (18 in 2023).

**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.

Compared to 2021, Ukraine's GDP remains nearly 22% lower. A year-on-year GDP growth of almost 4% is still insufficient for a full economic recovery following the decline at the onset of the full-scale invasion. After a 28.8% drop in 2022, the economy rebounded by 5.3% in 2023, but in 2024 the growth rate slowed. Quarterly GDP growth in 2024 compared to 2021 was lower than in 2023.

Recovery continues to be hindered by security risks, a shortage of skilled labour, and the consequences of Russian attacks on energy infrastructure. Moreover, the better GDP recovery figures in 2023 were supported by a low comparison base after the 2022 decline and a sharp increase in government spending, which in 2024 has become more of a wartime norm.

Ukraine faces a long road to economic recovery, which will take several years. If the GDP growth rates projected by the National Bank of Ukraine for the next three years persist, the economy will not return to its 2021 level before 2030. Accelerating growth must remain a priority of state policy, especially to bring Ukraine closer to EU accession.

In Ukraine, inflation began to accelerate for the first time since autumn 2022, reaching 12% in December 2024 (compared to 5.1% year-on-year at the end of 2023). The main drivers of price increases were a dry summer and poor harvest, rising energy and fuel prices, and increased labour costs.

In response to accelerating inflation, the NBU raised the key policy rate to 13.5% at the end of the year. The goal is to stabilize the foreign exchange market, reduce inflation expectations, and gradually slow inflation to the target level of 5% — an optimal rate for maintaining price stability and creating favourable conditions for economic growth.

Raising the key rate makes borrowing more expensive, making it harder for businesses and individuals to access credit. At the same time, banks may increase interest rates on deposits, encouraging people to save rather than spend. Lower consumption reduces demand for goods and services, helping to slow price growth. However, this process depends on many factors, including the state of the economy, market competition, and external events.

At the beginning of 2024, the official and cash exchange rates for the dollar were 38 UAH/USD. By the end of the year, both exceeded 42 UAH/USD, indicating a depreciation of the hryvnia by approximately 9.5%. Under wartime conditions and budget deficits, this level of devaluation can be considered relatively moderate.

After the NBU abandoned the fixed exchange rate in 2023 and transitioned to a flexible exchange rate regime, the hryvnia has shown gradual depreciation. The weakening of the national currency negatively affects domestic consumers of imported goods, as it leads to higher prices. At the same time, devaluation improves the competitiveness of Ukrainian exports, making domestic products cheaper and more attractive in foreign markets.

The key risk to inflation dynamics and economic development remains the course of the full-scale war. Further economic decline is a risk due to Russian aggression, particularly given the loss of life, territory and production facilities. The speed of the economy's return to normal functioning will depend on the nature and duration of the hostilities.

There are also risks of a decline in the regularity of international assistance and less favourable external economic trends than currently expected, due to greater geopolitical polarisation of countries and the corresponding fragmentation of world trade.

The search for a peace formula for Ukraine with the participation of international partners is ongoing. The results of the US elections have led to an improvement in the international investors' assessment of the prospects for ending the war. This has been reflected in the rise in the value of Ukrainian Eurobonds. However, the parameters and possible timeframe for achieving peace remain uncertain, and there are significant risks that the war will continue for a considerable time.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2024**

**(in thousands of hryvnias, unless otherwise stated)**

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**

The financial statements have been prepared based on the historical cost principle.

**Functional currency and Presentation currency**

The functional currency and the presentation currency of these financial statements of the Company is the Ukrainian Hryvnia. Transactions in currencies other than the Company's functional currency are considered foreign currency transactions. 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 and the ongoing war have resulted in significant uncertainty that may cast substantial doubt on the Company's ability to continue as a going concern.

The Company's management has considered the conditions and circumstances disclosed below in assessing whether the Company will be able to continue operating on a going concern basis.

In the new realities of wartime, the Company has become a newly established executor responsible for carrying out import deliveries of critically important categories of military weapons and military equipment for the needs of the Armed Forces of Ukraine and other military formations engaged in repelling armed aggression and defending the state.

Based on the results of its activities in 2024, the Company made advance payments for the supply of critically important categories of military weapons, military equipment, and ammunition under signed international import contracts; ensured the prompt execution of these contracts and the delivery of urgently needed items for the needs of the Armed Forces of Ukraine.

As of the date of approval of the financial statements, the Company does not have any assets that have been damaged or lost as a result of hostilities.

For the year ended 31 December 2024, the Company incurred a loss before tax of UAH 64,125 thousand (in 2023, the Company reported a profit before tax of UAH 447,485 thousand). During the reporting year, the Company had a negative net cash flow of UAH 909,068 thousand (2023 – positive net cash flow of UAH 1,451,129 thousand).

The nature of the Company's loss-making performance is caused by the following factors: the impact of foreign exchange differences on financial results, specifically – foreign exchange losses amounting to UAH 45,299 thousand; and the recognition of provisions for inventory impairment totalling UAH 47,805 thousand, which were reflected in other operating expenses and had effect on the loss.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2024**

**(in thousands of hryvnias, unless otherwise stated)**

In the financial plan for 2025, funds have been reallocated based on the volume of planned financing under state contracts already signed by the Company with non-resident suppliers, as well as considering the prospects of signing new contracts based on the Company's current pre-contractual efforts. For 2025, the Company has planned to achieve a net profit of UAH 36,510 thousand.

The Company has conducted a comprehensive regular (annual) inventory of assets to assess their actual value for making necessary management decisions and is actively working on signing new contracts.

The Company is not a significant consumer of electricity; therefore, periodic power outages in the city due to missile attacks are not capable of fully halting the Company's operations.

Management believes that the Company can manage the timely settlement of its current liabilities, as they are primarily represented by trade payables.

It cannot be ruled out that these events may lead to economic slowdown with potentially adverse consequences, which are currently not quantifiable, including their impact on the Company's financial results.

Management of the Company believes that the preparation of these financial statements on a going concern basis is justified, as the Company has undertaken certain initiatives aimed at improving its financial performance and liquidity.

The Company is taking necessary measures to optimize expenses and ensure the efficient use of cash and resources. Operational cost optimization is being carried out through the procurement of goods and services via transparent and competitive online auctions.

In management's opinion, the combination of the above-mentioned measures and other actions will enable the Company to continue operating on a going concern basis. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company's management cannot foresee all trends that may affect the future financial position of the Company. Nevertheless, management is confident that all necessary measures are being taken to ensure the stable operation and development of the Company.

Given all of the above, these financial statements have been prepared on a going concern basis, relying on management's confidence that the Company will continue its normal business and operational activities for at least the next 12 months from the date of signing these financial statements.

In preparing these financial statements, the known and reasonably estimable effects of the above-mentioned factors on the Company's financial position and performance during the reporting period have been considered. Management cannot predict all changes that may affect the national economy or the potential impact they may have on the Company's future financial position. Management believes it is taking all necessary steps to maintain stable operations and development of the Company. These financial statements do not include any adjustments that may arise as a result of such uncertainty. Any such adjustments will be disclosed if and when they become known and can be reliably estimated.

### **3. Application of new and revised International Financial Reporting Standards**

#### ***New and revised standards and interpretations to be applied by the Company***

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 01 January 2024. The following information is provided on new and revised standards and interpretations that became effective on 01 January 2024.

#### ***Amendments to IAS 1, Presentation of Financial Statements — Classification of Liabilities as Current or Non-Current***

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

The amendments did not 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***



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

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2024**

**(in thousands of hryvnias, unless otherwise stated)**

Under these amendments, only covenants that the entity is required to comply with on or before the reporting date affect the classification of a liability as current or non-current. Additionally, the entity must disclose information in the notes to help users of the financial statements understand the risk that non-current liabilities with covenants may become due within twelve months. The amendments are applied retrospectively.

The amendments did not affect the classification of liabilities in the Company's statement of financial position.

*Amendments to IFRS 16, Leases — Lease Liability in a Sale and Leaseback*

The amendments require the seller-lessee to determine "lease payments" or "revised lease payments" in such a way that the seller-lessee does not recognize any profit or loss related to the right-of-use asset retained by the seller-lessee.

The amendments did not affect the financial statements of the Company.

*Amendments to IAS 7, Statement of Cash Flows and IFRS 7, Financial Instruments: Disclosures — Supplier Finance Arrangements*

The amendments clarify the characteristics of supplier finance arrangements and the need for additional disclosures regarding such arrangements. The disclosure requirements aim to help users of the financial statements understand the impact of supplier finance mechanisms on liabilities, cash flows, and liquidity risk exposure.

The amendments did not affect the financial statements of the Company.

***IFRS and Interpretations that are not yet effective***

The Company has not applied the following IFRSs and Interpretations to IFRSs and IASs that have been issued but are not yet effective. The Company plans to adopt these amendments when they become effective.

*IFRS 18, Presentation and Disclosure in Financial Statements*

IFRS 18, issued by the IASB on 09 April 2024, replaces IAS 1, *Presentation of Financial Statements*, and introduces significant new requirements for the presentation of financial statements, with a particular focus on the following areas:

- Statement of profit or loss, including requirements for mandatory subtotals to be presented. IFRS 18 introduces requirements for income and expense items to be classified into one of five categories in the statement of profit or loss — operating, investing, financing, income tax and discontinued operations, of which the first three are new.
- Disaggregation of information, including the introduction of general principles on how information should be aggregated and disaggregated in financial statements.
- Disclosures related to management-defined performance measures that are measures of financial performance based on the total or subtotal required under IFRS, as adjusted (e.g., "adjusted profit or loss"). The entities will be required to disclose performance indicators in their financial statements, including the disclosures that will include a reconciliation of the performance measure to the closest total or subtotal in the IFRS financial statements.

The IASB's objective in introducing IFRS 18 is to improve the comparability and transparency of entities' performance reporting.

IFRS 18 and related amendments to other standards are effective for annual periods beginning on or after 01 January 2027. IFRS 18 will be applied retrospectively, with early adoption permitted.

The Company is currently working on determining the full impact of the adoption of IFRS 18 on its financial statements.

*IFRS 19, Subsidiaries without Public Accountability: Disclosures*

On 09 May 2024, the IASB issued IFRS 19, *Subsidiaries without Public Accountability: Disclosures*, which allows subsidiaries that meet certain criteria to provide condensed disclosures while still applying the full recognition, measurement and presentation requirements under IFRS. An entity will be permitted to apply IFRS 19 in its consolidated, separate or individual financial statements if it meets the eligibility criteria at the end of the reporting period.

The eligibility criteria for an entity to apply IFRS 19 are:

- The entity is a subsidiary (as defined in IFRS 10, Consolidated Financial Statements);
- The entity does not have public reporting; and

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

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2024**

**(in thousands of hryvnias, unless otherwise stated)**

- The entity has an ultimate or intermediate parent that prepares consolidated financial statements available for public use that comply with IFRS.

The entity has public accountability if:

- Its debt or equity instruments are traded in a public market or are in the process of being issued for trading in a public market;
- It holds assets in trust for a wide group of third parties as one of its principal activities.

IFRS 19 introduces changes to other IFRS accounting standards. IFRS 19 is a voluntary standard for eligible subsidiaries. The entity is permitted to apply IFRS 19 more than once. The entity that elects to apply IFRS 19, may revoke that election later. IFRS 19 is effective for annual periods beginning on or after 01 January 2027, with early adoption permitted.

IFRS 19 is not applicable to the Company.

*Amendments to IFRS 9 and IFRS 7 — Amendments in Classification and Measurement of Financial Instruments*

On 30 May 2024, the IASB issued Amendments to IFRS 9, Financial Instruments and IFRS 7, *Financial Instruments: Disclosures*, on the classification and measurement of financial instruments. The amendments address the following:

- *Classification of financial assets:*
  - The amendments provide guidance on assessing the conformity of contractual cash flows with the underlying loan agreement.
  - The amendments clarify that a financial asset has a non-recourse feature if the entity's ultimate right to receive cash flows is limited by the contract to the cash flows generated by the specified assets.
  - The amendments clarify the characteristics of contractually linked instruments.
- *Derecognition of liabilities settled by means of electronic payment systems:*

when a financial liability is settled in cash using an electronic payment system, the Amendments permit the entity to consider the financial liability to be settled before the settlement date if it meets certain specified criteria.

• *Disclosures:* The amendments also amend IFRS 7 to introduce disclosure requirements for investments in equity instruments measured at fair value through other comprehensive income, and contractual terms that may change the amount of contractual cash flows.

The amendments are effective for annual periods beginning on or after 01 January 2026, with early adoption permitted. The amendments must be applied retrospectively, with no requirement to restate prior periods but permitted.

*Amendments to IFRS 9 and IFRS 7 — Contracts Referencing Nature-dependent Electricity.*

The IASB has published Amendments to IFRS 9, Financial Instruments, and IFRS 7, *Financial Instruments: Disclosures* regarding contracts referencing nature-dependent electricity.

The amendments include the following:

Explanation of the meaning of "contracts referencing nature-dependent electricity".

Clarification of IFRS 9 requirements regarding "own use" of electricity in contracts referencing nature-dependent electricity;

Changes to hedge accounting requirements.

The amendments are effective for annual reporting periods beginning on or after 01 January 2026, with early application permitted. The amendments are applied retrospectively, and prior periods do not need to be restated to reflect the application of the amendments.

*The following is a list of standards and interpretations that will not have any impact on the Company's financial statements or be applicable to it:*

*Amendments to IAS 21, The Effects of Changes in Foreign Exchange Rates — Lack of Exchangeability*, are effective for annual periods beginning on or after 01 January 2025.

*Annual Improvements to IFRSs (Volume 11)* become effective for annual periods beginning on or after 01 January 2026. Annual improvements include:

*Amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards.*

*Amendments to IFRS 7, Financial Instruments: Disclosures.*

*Amendments to IFRS 9, Financial Instruments.*

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

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2024**

**(in thousands of hryvnias, unless otherwise stated)**

*Amendments to IFRS 10, Consolidated Financial Statements.*

*Amendments to IFRS 7, Statement of Cash Flows.*

*Amendments to IFRS 10, Consolidated Financial Statements, and IAS 28, Investments in Associates and Joint Ventures — Sales or Contribution of Assets between an Investor and its Associate/Joint Venture —* The IASB has deferred the effective date of this amendment indefinitely but permits early adoption 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 from the sale of goods, works and services 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 (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.

##### *Assessment of expected credit losses*

The assessment of expected credit losses is a significant estimation that involves determining the valuation methodology, models, and input parameters. The following components have a material impact on the allowance for credit losses: definition of default, significant increase in credit risk, probability of default, exposure at default, and loss given default, as well as macroeconomic scenario models. The Company analyses and validates the accuracy of the models and input parameters to reduce the discrepancy between the expected credit loss estimate and the actual credit loss (Note 10).

##### *Provision for litigation*

The Company recognises a provision for litigation when there is a present obligation (legal or constructive) arising from a past event, if an outflow of economic benefits is probable and the amount of the obligation can be reliably estimated. If these conditions are not met, information about the contingent liability is disclosed in the notes to the financial statements. The realisation of a contingent liability that has not been recognised or disclosed may have a material impact on the Company's financial position. Management assesses unresolved legal cases at each reporting date, taking into account the nature of the litigation, the judicial process, potential losses, legal counsel opinions, experience with similar cases, and decisions regarding responses to claims. Estimates are based on information as at 31 December 2024 but may be adjusted in future due to new developments, with changes in accounting estimates reflected prospectively in the income statement.

##### *Recognition of deferred tax assets*

The recognised deferred tax asset represents the amount of income tax that can be offset against future taxable profits and is presented in the statement of financial position. Deferred income tax assets are recognised only to the extent that it is probable that the related tax credit can be utilised. This implies the existence of temporary



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

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2024**

**(in thousands of hryvnias, unless otherwise stated)**

differences, the reversal of which is expected in the future, and the existence of sufficient future taxable profit to utilise the deductions. The assessment of future taxable profits and the amount of tax credit that can be utilised is based on a medium-term business plan prepared by management and extrapolated to future periods. The business plan is underpinned by management's expectations, which are considered reasonable under the prevailing circumstances.

*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.

**5. Significant accounting policies**

**Changes in Accounting Policy and Disclosure Principles**

Overall, the accounting policy is consistent with that applied in the previous reporting year. Starting from 1 January 2024, the Company changed the method of presenting funds received for the implementation of the budget programme and the performance of the functions of the state customer service in the statement of cash flows. The Company believes that the direct method of presenting such funds provides reliable and more relevant information about the impact of these transactions on the Company's cash flows.

The figures in the statement of cash flows for 2023 have been restated accordingly.

**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.

Exchange gains and losses arising from the settlement of transactions and the retranslation of monetary assets and liabilities into the Company's functional currency using the National Bank of Ukraine exchange rates at the reporting date are recognised in profit or loss for the reporting period.

Non-cash (non-monetary) items measured at historical cost in a foreign currency are translated using the exchange rate prevailing at the transaction date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate prevailing at the date when the fair value was determined.

**Property, plant and equipment**

The Company recognises 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.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2024**

**(in thousands of hryvnias, unless otherwise stated)**

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.

Depreciation of property, plant and equipment is charged using the straight-line method over the following useful lives:

Group	Minimum useful lives, years
Transmission devices	10
Group 4 – machinery and equipment	5
Of which:	
Electronic computing machines, other machines for automatic data processing, related devices for reading or printing information, related computer software (excluding software for which acquisition costs are recognised as royalties and/or software recognised as intangible assets), other information systems, switches, routers, modules, modems, uninterruptible power supplies and devices for their connection to telecommunications networks, telephones (including mobile phones), microphones and walkie-talkies with a value exceeding UAH 20 000	2
Group 5 – vehicles	5
Group 6 – tools, instruments, inventory, furniture	4

**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 capital investments in progress and are detailed in the 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**

A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For a contract that is, or contains, a lease, each lease component is accounted for separately from non-lease components of the contract, unless the practical expedient described below is applied.

The Company does not apply IFRS requirements to:

- a) short-term leases (with a term of up to 12 months); and
- b) leases for which the underlying asset is of low value (the cost of a new asset is less than UAH 150 thousand).

The Company recognises lease payments related to such leases as an expense on a straight-line basis over the lease term.

#### *Initial measurement of the right-of-use asset*

At the commencement date, the right-of-use asset is equal to the lease liability and equal to the value of the discounted lease payments.

#### *Initial measurement of lease liability*

At the commencement date, the Company measures the lease liability at the present value of lease payments that are not paid at that date. Lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined.

If the rate cannot be readily determined, the Company uses its incremental borrowing rate.

#### *Subsequent measurement of right-of-use asset*

After the commencement date, the right-of-use asset is measured using the cost model:

- a) less any accumulated depreciation and any accumulated impairment losses; and



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

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2024**

**(in thousands of hryvnias, unless otherwise stated)**

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b) adjusted for any remeasurement of the lease liability.

Depreciation is charged in accordance with IAS 16, *Property, Plant and Equipment*.

*Subsequent measurement of lease liability*

After the commencement date, a lessee measures the lease liability by:

- a) increasing the carrying amount to reflect interest on the lease liability;
- b) reducing the carrying amount to reflect the lease payments made; and
- c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

After the commencement date, a lessee recognizes in profit or loss, unless the costs are included in the carrying amount of another asset applying other applicable standards, both:

- a) interest on the lease liability; and
- b) variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that triggers those payments occurs.

**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 FIFO method is applied for the write-off and other derecognition of inventories used to support the Company's operations. For goods supplied under direct contracts with the Ministry of Defence of Ukraine, the identification cost method is applied.

**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

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

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2024**

**(in thousands of hryvnias, unless otherwise stated)**

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*

The Company classifies its financial liabilities as financial liabilities measured at amortised cost. The Company has not classified any of its liabilities as financial liabilities measured at fair value through profit or loss, financial liabilities arising from the failure to derecognise a financial asset or from the application of the continuing involvement approach, financial guarantee contracts, or loan commitments issued at below-market interest 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; 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 recognised 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.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2024**

**(in thousands of hryvnias, unless otherwise stated)**

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 derecognised if the liability is extinguished, cancelled or expired. If an existing financial liability is replaced by another liability to the same creditor on substantially different terms, or if the terms of an existing liability are substantially modified, such replacement or modification is accounted for as a derecognition of the original liability and the recognition of a new liability. The difference in their carrying amounts is recognised in profit or loss.

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



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

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2024**

**(in thousands of hryvnias, unless otherwise stated)**

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. In these financial statements, the figures in the Statement of cash flows for 2023 have been restated.

**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 Company's Charter.

Profit is allocated through:

- Accrued dividends (part of net profit paid to the state budget of Ukraine, 80%);
- Allocation to funds:

The amount of annual contributions to the reserve fund cannot be less than the greater of the following two amounts: 5% of the net profit balance after deducting part of the net profit transferred to the state budget or 25% of the Company's authorised capital on each quarterly date.

The amount of annual contributions to the social and economic development fund cannot be less than 20% of the net profit balance after deducting part of the net profit to the state budget and after annual contributions to the reserve fund, on each quarterly date.

The amount of annual contributions to the consumption fund (partial payment of labour) cannot be less than 1% of the net profit balance after deducting part of the net profit to the state budget and after annual contributions to the reserve fund, on each quarterly date.

- The amount of annual contributions to the production development fund is the remaining amount of net profit after deducting part of the net profit to the state budget and after annual contributions to other special (targeted) funds specified above on each quarterly date.

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.

**Target financing** The Company has the status of a state customer in the field of defence and a recipient of budget funds under separate budget subprogrammes of the budget programme KPKVK 2101150.

The item 'Target financing' reflects the funds received for performing the function of a state customer, including:

- Funds received for the purchase of goods, works and services for defence purposes under state contracts;

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

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2024**

**(in thousands of hryvnias, unless otherwise stated)**

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- Funds received to cover the costs of maintaining the state customer service;

Funds to maintain the state customer service are recognised in profit or loss on a systematic basis during the periods in which the Company recognises the related expenses for which these funds were intended to compensate.

### **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. If 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**

The Company mainly receives income from:

- sale of special-purpose goods

The Company applies IFRS 15 Revenue from Contracts with Customers to such revenues, except for revenues from state funding for the performance of the state customer functions, which are accounted for in accordance with the policy set out in the Target Financing section.

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 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.

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:

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

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2024**

**(in thousands of hryvnias, unless otherwise stated)**

- 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;
- ability to prevent other parties from exercising control over the asset and benefiting from it.

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.

In accordance with the provisions of the Charter, the Company was established for the purpose of conducting public and defence procurement of goods, works and services. This includes acting as a state customer service in the field of defence, as well as generating profit from the Company's statutory activities.

As a participant in economic relations, the Company recognises as income the fines it receives from suppliers under concluded state contracts. These contracts stipulate that the suppliers bear economic and legal responsibility for any offences in the field of economic activity. The Company will apply economic sanctions to the suppliers on the grounds and in the manner provided for by the Code, other laws and the contract.

Penalties are defined as economic sanctions in the form of a monetary amount (forfeit, fine, penalty) that a participant in economic relations is obliged to pay in the event of a violation of the rules of economic activity, non-fulfilment or improper fulfilment of an economic obligation.

Penalties received by the Company are recognised as income, contributing to the formation of financial results, with the corresponding payment of income tax (18%) and a portion of net profit (80%) to the State Budget of Ukraine. These are reflected in the Company's financial statements as required by International Accounting Standards.

### **Financial income and expenses**

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



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

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2024**

**(in thousands of hryvnias, unless otherwise stated)**

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

**Income tax**

*Current income tax*

Current tax is the amount expected to be paid to/refunded by the tax authorities in respect of taxable profits or losses for the current and prior periods.

Current income tax is calculated based on tax laws and tax rates that are enacted or substantively enacted at the reporting date. According to the Tax Code, the income tax rate in 2024 is 18%.

Income tax expense includes current taxes and deferred taxes and is recognised in the income statement only to the extent that it relates to transactions that are recognised in the same or a different period in other comprehensive income or directly in equity.

In this case, the tax is also recognised in other comprehensive income or directly in equity.

If financial statements are approved prior to the submission of the relevant tax returns, the amount of taxable income or losses is reflected on the basis of estimates.

Other taxes, except for income tax, are accounted for as operating expenses.

*Deferred income tax*

Deferred tax is calculated using the balance sheet liability method. This method is used to account for tax losses and temporary differences that arise between the tax base of assets and liabilities and their carrying amount for financial reporting purposes. In accordance with the initial recognition exception, deferred tax is not recognised for temporary differences arising on the initial recognition of an asset or liability in a transaction that is not a business combination and that, on initial recognition, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are determined using tax rates that have been enacted or substantively enacted by the end of the reporting period and are expected to apply in the period when the temporary differences are reversed or the tax losses are utilised. Deferred tax assets on temporary differences that reduce the tax base and tax losses carried forward are recognised only to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilised.

A deferred tax liability is recognised for all taxable temporary differences, except in cases where:

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

Deferred tax assets are recognised for all deductible temporary differences, unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary difference, unused tax credits and unused tax losses can be utilised, except where:

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2024**

**(in thousands of hryvnias, unless otherwise stated)**

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be utilised. Previously unrecognised deferred tax assets are reviewed at each reporting date and recognised when it becomes probable that future taxable profit will be available against which the deferred tax assets can be utilised.

Deferred income tax relating to items recognised outside profit or loss is also recognised outside profit or loss. Deferred tax items are recognised in accordance with the transactions giving rise to them, either in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are subject to offset if there is a full legal right to offset current tax assets against current tax liabilities, provided that they relate to income taxes assessed by the same tax authority on the same business entity.

Deferred tax assets on temporary differences that reduce the tax base and tax losses carried forward are recognised only to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilised.

**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.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

(in thousands of hryvnias, unless otherwise stated)

6. Intangible assets

As at 31 December 2024, intangible assets were stated as follows:

	Other intangible assets	Total
<b>Initial cost</b>		
As at 1 January 2023	7	7
Additions	3 014	3 014
As at 31 December 2023	3 021	3 021
Additions	880	880
As at 31 December 2024	3 901	3 901
<b>Accumulated amortisation</b>		
As at 1 January 2023	(1)	(1)
Amortisation charges	(45)	(45)
As at 31 December 2023	(46)	(46)
As at 1 January 2024	(46)	(46)
Amortisation charges	(126)	(126)
As at 31 December 2024	(172)	(172)
<b>Net carrying amount</b>		
As at 31 December 2022	6	6
As at 31 December 2023	2 975	2 975
As at 31 December 2024	3 729	3 729

7. Property, plant and equipment

The movement of property, plant and equipment and construction in progress for the year ended 31 December 2024 is presented as follows:

	Machinery and equipment	Total
<b>Initial cost</b>		
As at 01.01.2023	1 924	1 924
Additions	3 508	3 508
As at 31.12.2023	5 432	5 432
Additions	13 449	13 449
As at 31.12.2024	18 881	18 881
<b>Accumulated depreciation and impairment</b>		
As at 01.01.2023	(700)	(700)
Depreciation charges	(701)	(701)
As at 31.12.2023	(1 401)	(1 401)
Accrued for the year	(5 906)	(5 906)
As at 31.12.2024	(7 307)	(7 307)
<b>Net carrying amount</b>		
As at 31 December 2022	1 224	1 224
As at 31 December 2023	4 031	4 031
As at 31 December 2024	7 129	11 574



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

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2024**

**(in thousands of hryvnias, unless otherwise stated)**

*Property, plant and equipment temporarily not in use*

As of 31 December 2024-2023, 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 2024-2023.

**8. Lease**

As at 31 December 2024 -2023, lease was stated as follows:

	<b>31 December 2024</b>	<b>31 December 2023</b>
Long-term accounts receivable	5 452	-
Other non-current assets	17 584	-
<b>Total assets</b>	<b>23 036</b>	<b>-</b>
Other long-term liabilities	20 674	-
Current accounts payable on long-term liabilities	5 509	-
<b>Total liabilities</b>	<b>26 183</b>	<b>-</b>

The Company does not have its own premises, so it rents office space from PROPERTY MANAGEMENT SOLUTIONS UAN LLC on the 2nd and 4th floors at the address in Kyiv, in accordance with Lease Agreement No. 43-27-D-24 dated 23 February 2024, effective from 1 March 2024.

**9. Inventories**

As at 31 December 2024 -2023, inventories were stated as follows:

	<b>31 December 2024</b>	<b>31 December 2023</b>
Goods	1 211 737	1 292 833
Production inventories	496	27
Work in progress	56 463	60 031
<i>Including</i>		
<i>Expenditure on export licences, export control services, logistics, brokerage and transport</i>	268	845
<i>Bank commission for foreign currency payments</i>	190	302
<i>Exchange rate costs when purchasing foreign currency</i>	7 893	27 920
<i>Salaries</i>	39 596	7 082
<i>Single social security tax (SSST) on salaries</i>	4 352	701
<i>Provision for material incentives and vacations</i>	2 100	14 427
<i>Single social security tax from provisions charged</i>	611	3 043
<i>Travel expenses</i>	1 453	5 711
<b>Total</b>	<b>1 268 696</b>	<b>1 352 891</b>

In 2024, the amount of inventory write-offs to their net realisable value was UAH 47,805 thousand (2023 – zero).

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

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2024**

**(in thousands of hryvnias, unless otherwise stated)**

**10. Accounts receivable for products, goods, works, services**

As of 31 December 2024 and 2023, accounts receivable for products, goods, works and services were as follows:

	<b>31 December 2024</b>	<b>31 December 2023</b>
Accounts receivable for products, goods, works, services:	80 539	59 417
Allowance for expected credit losses	-	-
<b>Total</b>	<b>80 539</b>	<b>59 417</b>

Accounts receivable for products, goods, works and services also include amounts due from related parties (Note 29).

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 29.

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:

	<b>31 December 2024</b>	<b>31 December 2023</b>
Less than 30 days	-	-
31-60 days	-	55 897
61-90 days	-	-
91-180 days	41 126	-
181-360 days	39 413	-
Over a year	-	3 520
<b>Total</b>	<b>80 539</b>	<b>59 417</b>

**11. Accounts receivable on advances made**

As of 31 December 2024-2023, accounts receivable for advances made were as follows:

	<b>31 December 2024</b>	<b>31 December 2023</b>
Accounts receivable from suppliers while performing the state customer function	143 254 162	18 620 701
Accounts receivable from the state contracts execution	334 392	-
Accounts receivable for the commercial contracts execution	35	-
<b>Total</b>	<b>143 588 589</b>	<b>18 620 701</b>

**12. Other current accounts receivable**

As at 31 December 2024 -2023, other current receivables were as follows:

	<b>31 December 2024</b>	<b>31 December 2023</b>
Accounts receivable from suppliers while performing the state customer function	29 169	8
Settlements with accountable persons	25	211
SSST settlements	50	2 112
<b>Total</b>	<b>29 244</b>	<b>2 331</b>

**13. Accounts receivable from the budget**

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

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2024**

**(in thousands of hryvnias, unless otherwise stated)**

As of 31 December 2024-2023, accounts receivable from the budget were as follows:

	<b>31 December 2024</b>	<b>31 December 2023</b>
VAT settlements	60 482	6 934
Part of net profit (dividends)	26 849	-
Income tax	17 763	-
<b>Total</b>	<b>105 094</b>	<b>6 934</b>

**14. Cash and cash equivalents**

As of 31 December 2024 -2023, cash and cash equivalents included:

	<b>31 December 2024</b>	<b>31 December 2023</b>
Cash on bank accounts	143 784	1 074 878
Cash with special conditions for use in national currency	557 662	449 760
Cash with special conditions for use in foreign currency (letter of credit)	-	96 043
Cash with special conditions for use (VAT)	2	22
<b>Total</b>	<b>701 448</b>	<b>1 620 703</b>

**15. Other current assets**

As at 31 December 2024 -2023, other current assets included:

	<b>31 December 2024</b>	<b>31 December 2023</b>
VAT in settlements	247 400	88 918
<b>Total</b>	<b>247 400</b>	<b>88 918</b>

**16. Equity**

**Statutory capital**

The Company is wholly owned by the state. As of 31 December 2024, and as at the reporting date, the Company's statutory capital amounted to UAH 1,000 thousand and is unpaid.

**Retained earnings (uncovered loss)**

The balance of retained earnings shall be distributed in accordance with the Articles of Association and internal regulatory documents of the Company and offset against the loss incurred.

Profit shall be distributed through:

- Accrued dividends (part of net profit paid to the state budget of Ukraine, 80%);
- Allocation to funds  
The amount of annual contributions to the reserve fund cannot be less than the greater of the following two amounts: 5% of the net profit balance after deducting part of the net profit transferred to the state budget or 25% of the Company's authorised capital on each quarterly date.



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

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2024**

**(in thousands of hryvnias, unless otherwise stated)**

The amount of annual contributions to the consumption fund (partial payment of labour) cannot be less than 1% of the net profit balance after deducting part of the net profit to the state budget and after annual contributions to the reserve fund, on each quarterly date.

The amount of annual contributions to the production development fund is the remaining amount of net profit after deducting part of the net profit to the state budget and after annual contributions to other special (targeted) funds specified above on each quarterly date.

The retained earnings shall be used only on the basis of 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 2024, the Company did not accrue any dividend obligations, as it incurred a loss of UAH 58,531 thousand for 2024 (2023, it accrued UAH 292,782 thousand of part of the net profit to the State Budget of Ukraine).

**17. Target financing**

Target financing for the performance of the state customer service functions for the procurement of goods, works and services for defence purposes by the Agency, as a recipient of budget funds, was provided under the budget programme 'Development, procurement, modernisation and repair of weapons, military machinery, means and equipment', UNITED 24 (KPKVK 2101150), reserve fund - KPKVK 2101730.

	<b>31 December 2024</b>	<b>31 December 2023</b>
Total amount of debt from targeted financing for the performance of the functions of the state customer service	138 864 211	16 885 890
Balance of targeted funding to cover the costs of maintaining the state customer service	121 046	65 931
<b>Total</b>	<b>138 985 257</b>	<b>16 885 891</b>

**18. Current accounts payable for goods, works and services**

As of 31 December 2024 -2023, current accounts payable for goods, works and services were as follows:

	<b>31 December 2024</b>	<b>31 December 2023</b>
Current accounts payable for goods, works and services	5 228 597	1 177 996
<b>Total</b>	<b>5 228 597</b>	<b>1 177 996</b>

**19. Current accounts payable on settlements with the budget**

As of 31 December 2024-2023, current accounts payable to the budget were as follows:

STATE ENTERPRISE OF THE MINISTRY OF DEFENCE OF UKRAINE "DEFENCE PROCUREMENT AGENCY"  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2024  
(in thousands of hryvnias, unless otherwise stated)

	31 December 2024	31 December 2023
Other (IIT and military tax)	4 886	734
Part of net profit (dividends)	-	150 048
Income tax	-	12 000
<b>Total</b>	<b>4 886</b>	<b>162 782</b>

## 20. Current provisions

As at 31 December 2024 -2023, 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	510	48 825	66 713	72 424	188 472
<b>31 December 2023</b>	<b>510</b>	<b>48 825</b>	<b>66 713</b>	<b>72 424</b>	<b>188 472</b>
Used for the year	46 847	26 997	-	118 566	192 410
Used or paid	24 606	75 822	66 713	68 582	235 723
<b>31 December 2024</b>	<b>22 751</b>	<b>-</b>	<b>-</b>	<b>122 408</b>	<b>145 159</b>

### Provisions for employee benefits

As at 31 December 2024, short-term provisions for employee benefits include provisions for unused vacation and material incentives.

### Provisions for litigation

Provisions for litigation are charged only if the probability of losses resulting from a court decision unfavourable to the Company is determined to be high.

As at 31 December 2024, short-term provisions for litigation provide for high probable expenses (more than 50%) in the future for obligations that are being resolved in court.

In other cases, as at 31 December 2024, the average probability (less than 50%) of receiving negative court decisions totalling UAH 124,166 thousand is estimated.

## 21. Other current liabilities

As at 31 December 2024 and 2023, other current liabilities and current payables on advances received were as follows:

	31 December 2024	31 December 2023
Tax credit for advances made	264 778	-
Settlements under civil law contracts	1 047	112
Settlements under enforcement documents	170	-
<b>Total</b>	<b>265 995</b>	<b>112</b>

## 22. Income tax

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

(in thousands of hryvnias, unless otherwise stated)

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

	2024	2023
Current income tax	-	106 553
Deferred tax	(5 594)	(25 045)
<b>Total</b>	<b>(5 594)</b>	<b>81 508</b>

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

	2024	2023
<b>Profit/(loss) before tax</b>	(64 125)	447 485
Income tax expense/(income) at a tax rate of 18%	(11 543)	80 547
Other differences	5 949	961
<b>Income tax expenses/(gain)</b>	<b>(5 594)</b>	<b>81 508</b>

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

	31 December 2024	Recognized in profit or loss	31 December 2023
Provisions for reimbursement of future expenses for warranty obligations	-	(12 009)	12 009
Provision for reimbursement of future expenses for court obligations	22 033	8 997	13 036
Provision for goods impairment	8 605	8 605	-
<b>Deferred tax assets</b>	<b>30 638</b>	<b>5 594</b>	<b>25 045</b>

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	-
<b>Deferred tax assets</b>	<b>25 045</b>	<b>25 045</b>	-

## 23. Net income from sales of products

Net income from product sales is presented as follows:

	2024	2023
Income from sales of goods	4 786 369	25 084 150
Income from sales of services	2 239	745 558
Including sales for the benefit of the Ministry of Defence	4 788 608	25 829 708
<b>Total</b>	<b>4 788 608</b>	<b>25 829 708</b>

## 24. Cost of sales



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

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2024**

**(in thousands of hryvnias, unless otherwise stated)**

The cost of sales is presented as follows:

	<b>2024</b>	<b>2023</b>
Cost of purchased goods	4 563 820	24 310 480
Labour costs and single social security tax	17 149	2 594
Expenses accumulated in the "General production expenses" account and charged to the cost of goods sold during the period of sale, including:	<u>634</u>	<u>4 219</u>
salaries and single social security tax	-	3 657
travel costs	634	562
Expenses accumulated in the account "Work in progress" and charged to the goods sold in the period of sale of goods, services, including:	<u>107 046</u>	<u>772 741</u>
salaries and single social security tax	3 481	32 994
travel costs	3 185	9 128
cost of repairing special-purpose equipment	-	730 541
Transportation and forwarding, customs services	12 533	-
Other	87 847	78
<b>Total</b>	<b>4 688 649</b>	<b>25 090 034</b>

**25. Other operating income**

Other operating income is stated as follows:

	<b>2024</b>	<b>2023</b>
Recognition of income in the amount of expenses incurred while performing the functions of the State Customer Service	397 216	57 229
Fines received for violations of economic and legal liability	52 657	-
Interest income on account balances	33 858	21 693
Compensation received for expenses incurred	1 025	245
Asset received for free	281	2 377
Other	17 104	-
<b>Total</b>	<b>502 141</b>	<b>81 544</b>

**26. Administrative expenses**

Administrative expenses are stated as follows:

	<b>2024</b>	<b>2023</b>
Labour costs and SSST	77 653	65 091
Expenses to charge a material incentive provision	14 613	46 885
Amortisation	9 764	465
Expenses to charge the provision for vacation	6 689	4 558
Expenses for the purchase of services related to the maintenance of the Company	4 599	9 045
Premises rental costs (utility costs)	3 813	-
Travel expenses, business expenses	2 650	310
Costs of court and arbitration fees, permits from state authorities	46	748
Bank charges	21	9
Write-off of inventory	2	255
<b>Total</b>	<b>119 850</b>	<b>127 366</b>

**27. Other operating expenses**

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

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2024**

**(in thousands of hryvnias, unless otherwise stated)**

Other operating expenses are stated as follows:

	<b>2024</b>	<b>2023</b>
Expenses recognised during the performance of the Customer Service functions	397 216	57 229
Provision for impairment of inventories	47 805	-
Expenses from operating exchange rate differences	45 299	36 627
Court fees and penalties for failure to meet delivery deadlines under MDU contracts	20 088	4 957
Provision for future legal expenses, material support	10 847	57 074
Material assistance	10 299	-
Expenses for sick leave paid by the company	2 570	418
Travel costs	1 198	76
Bank fees	487	58
Provision of warranty repairs	-	66 713
Inventories written off	-	79
Other expenses	8 948	23 136
<b>Total</b>	<b>544 757</b>	<b>246 367</b>

**28. 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 of 31 December 2024, the Company acts as a plaintiff in court proceedings with the tax authorities. Where the risk of losing additional resources due to the uncertainty of Ukrainian tax legislation and other regulatory acts is considered probable as of 31 December 2024 and 31 December 2023, and the amount can be determined with sufficient 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 2024 and 31 December 2023, however, there are 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**

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

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2024**

**(in thousands of hryvnias, unless otherwise stated)**

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.

**29. 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:

- 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 2024 and 31 December 2023 is presented in the tables below.

*During the years ended 31 December 2024 and 2023, the Company's net income from the sale of goods, works and services to its related parties amounted to:*

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

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2024**

**(in thousands of hryvnias, unless otherwise stated)**

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

	<b>2024</b>	<b>2023</b>
Net income from sales of products (goods) to major related parties	4 786 369	25 084 150
Net income from sales of products (services) to major related parties	2 239	745 558

*During the years ended 31 December 2024 and 2023, the value of goods, works and services purchased from related parties amounted to:*

Other enterprises (state-owned enterprises) related parties:

	<b>2024</b>	<b>2023</b>
Cost of purchased goods, inventories from related parties	9	2
Cost of purchased services from related parties	3 579	1 433
<b>Total</b>	<b>3 588</b>	<b>1 435</b>

*During the years ended 31 December 2024 and 2023, the Company had the following other related party transactions:*

Other enterprises (state-owned enterprises) related parties:

	<b>2024</b>	<b>2023</b>
Other operating income	33 858	21 693
Administrative expenses	(1 501)	(123)

*Accounts receivable, cash and cash equivalents, accounts payable*

With the governing body - Ministry of Defence of Ukraine:

	<b>31 December 2024</b>	<b>31 December 2023</b>
Accounts receivable for products, goods, works, services	80 539	59 417
Current accounts payable on advances received	1 405 176	3 295 502

Other enterprises (state-owned enterprises) related parties:

	<b>31 December 2024</b>	<b>31 December 2023</b>
Accounts receivable on settlements on accrued income	2 632	3 071
Accounts receivable on advances made	48 344 232	9 488 018
Cash and cash equivalents	11 061	-
Other current liabilities	701 448	1 620 703
Current accounts payable for goods, works, services	2 579 740	50 556

**Remuneration to the key management personnel**

Key management personnel are individuals who have authority and responsibility, directly or indirectly, for planning, managing and controlling the activities of the Company. The key management personnel includes the director of the Company, his deputies and the chief accountant. During 2024, the key management personnel consisted of 10 persons (in 2023—7 persons). In 2024, compensation to key management personnel, which is included in personnel expenses, included salaries together with a single social contribution and amounted to UAH 21,300 thousand (in 2023 - UAH 14,390 thousand).

During 2024, remuneration was accrued to the Supervisory Board, including a single social contribution, in the amount of UAH 1,491 thousand (in 2023—0).



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

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2024**

**(in thousands of hryvnias, unless otherwise stated)**

**30. 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:

<b>31 December 2023</b>	<b>USD</b>	<b>EUR</b>	<b>UAH</b>	<b>Total</b>
Accounts receivable for goods, works, services	-	-	59 417	59 417
Cash and cash equivalents	-	96 043	1 524 660	1 620 703
<b>Total financial assets</b>	<b>-</b>	<b>96 043</b>	<b>1 584 077</b>	<b>1 680 120</b>
Accounts payable for goods, works, services	(151 922)	(974 173)	(51 901)	(1 177 996)
<b>Total financial liabilities</b>	<b>(151 922)</b>	<b>(974 173)</b>	<b>(51 901)</b>	<b>(1 177 996)</b>
<b>Net currency position</b>	<b>(151 922)</b>	<b>(878 130)</b>	<b>1 532 176</b>	<b>502 124</b>

<b>31 December 2024</b>	<b>USD</b>	<b>EUR</b>	<b>UAH</b>	<b>Total</b>
Accounts receivable for goods, works, services	-	-	80 539	80 539
Cash and cash equivalents	-	-	701 448	701 448
<b>Total financial assets</b>	<b>-</b>	<b>-</b>	<b>781 987</b>	<b>781 987</b>
Accounts payable for goods, works, services	-	(1 705 352)	(3 523 245)	(5 228 597)
<b>Total financial liabilities</b>	<b>-</b>	<b>(1 705 352)</b>	<b>(3 523 245)</b>	<b>(5 228 597)</b>
<b>Net currency position</b>	<b>-</b>	<b>(1 705 352)</b>	<b>(2 741 258)</b>	<b>(4 446 610)</b>

The table below shows the sensitivity of the Company's pre-tax profit to possible changes in exchange rates, with all other components held constant.

	<b>Increase / decrease</b>	<b>Impact on profit before tax</b>
<b>For the year ended 31 December 2024</b>		
Change of EUR exchange rate	10%	(170 535)
Change of EUR exchange rate	(10%)	170 535
<b>For the year ended 31 December 2023</b>		
Change of USD exchange rate	10%	(15 192)
Change of USD exchange rate	(10%)	15 192
Change of EUR exchange rate	10%	(87 813)
Change of EUR exchange rate	(10%)	87 813

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

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2024**

**(in thousands of hryvnias, unless otherwise stated)**

**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 2024	31 December 2023
JSC Ukreximbank	CCC– tight liquidity (Fitch)	143 456	1 170 778
JSC Oschadbank	CCC- tight liquidity (Fitch)	329	143
State Treasury of Ukraine in Kyiv	Undefined	557 663	449 782
<b>Total cash and cash equivalents</b>		<b>701 448</b>	<b>1 620 703</b>

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

	31 December 2024	31 December 2023
Long-term accounts receivable	5 452	-
Cash and cash equivalents	701 448	1 620 703
Trade accounts receivable for products, goods, works and services	80 539	59 417
<b>Total</b>	<b>787 439</b>	<b>1 680 120</b>

**Concentration risk**

The Company is exposed to concentration risk in relation to trade receivables for goods, works and services, as at 31 December 2024, trade receivables from one key customer accounted for 100% of total trade receivables for goods, works and services, which has been the case since 2023.

**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 2024 is presented below:

2024	On demand	During 12 months	1 – 5 years	Over 5 years	Total
Other long-term liabilities	-	-	20 674	-	20 674

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

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2024**

**(in thousands of hryvnias, unless otherwise stated)**

Current accounts payable for long-term liabilities	-	5 509	-	-	5 509
Current accounts payable for goods, works, services	-	5 228 597	-	-	5 228 597
<b>2023</b>					
Current accounts payable for goods, works, services	-	1 177 996	-	-	1 177 996

**Capital management**

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

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 2024, 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 2024 and 2023 is presented as follows:

	<b>2024</b>	<b>2023</b>
Current accounts payable for goods, works, services	5 228 597	1 177 996
Less cash and cash equivalents	(701 448)	(1 620 703)
<b>Net borrowed funds</b>	<b>(4 793 144)</b>	<b>(442 595)</b>
Total equity	14 623	73 245
<b>Debt-to-equity ratio</b>	<b>328%</b>	<b>6%</b>

**31. Fair value of financial instruments**

As at 31 December 2024 and 31 December 2023, 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.

**32. Events after the reporting period**

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

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2024**

**(in thousands of hryvnias, unless otherwise stated)**

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. 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 Order No. 281 of the Ministry of Defence of Ukraine dated 2 May 2025, "On the reorganisation of the state-owned enterprise of the Ministry of Defence of Ukraine", the process of joining the state-owned enterprise of the Ministry of Defence of Ukraine, Defence Procurement Agency, has begun. The latter has been recognised as the successor to all rights and obligations of the state-owned 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 2024 prepared in accordance with IFRS.

**Approval of the financial statements**

These financial statements of the Company for the year ended 31 December 2024 were approved for issue and signed by the Management on 26 August 2025.

Director

Zhumadilov A.K.

Chief Accountant

Ilichuk I.A.

