

**CHARITABLE ORGANISATION**  
**“CHARITABLE FOUNDATION**  
**“MHP-GROMADI”**

International Financial Reporting Standards  
Financial Statements and Independent Auditor's Report  
31 December 2022

## CONTENTS

### Independent Auditor's Report

### Financial Statements

Statement of Financial Position.....	1
Statement of Profit and Loss and Other Comprehensive Income.....	2
Statement of Change in Retained Surplus.....	3
Statement of Cash Flows.....	4

### Notes to the Financial Statements

1. Information on Charitable Organisation "Charitable Foundation "MHP-Gromadi" .....	5
2. Operating Environment of the Foundation.....	5
3. Material Accounting Policy Information .....	6
4. Critical Accounting Estimates and Judgements in Applying Accounting Policies.....	8
5. Adoption of New or Revised Standards and Interpretations.....	10
6. New Accounting Pronouncements .....	10
7. Items for distribution and use in the Foundation activities.....	11
8. Advances Issued and Accounts Receivable .....	11
9. Cash and Cash Equivalents.....	11
10. Accounts Payable.....	12
11. Income.....	12
12. Expenses for Programmes and Grants.....	12
13. Other Expenses.....	13
14. Retained surplus.....	13
15. Contingencies and Commitments.....	13
16. Related Party Transactions .....	13
17. Financial Risk Management.....	14
18. Fair Value Disclosures.....	15
19. Presentation of Financial Instruments by Measurement Category .....	15
20. Events after the Reporting Period .....	15

**Charitable Organisation "Charitable Foundation "MHP-Gromadi"**  
**Statement of Financial Position**  
(in thousands of Ukrainian Hryvnias)

	Notes	31 December 2022	31 December 2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets		69	-
Property and equipment		259	157
Other non-current assets		160	206
<b>Total non-current assets</b>		<b>488</b>	<b>363</b>
<b>Current assets</b>			
Items for distribution and use in the Foundation's activities	7	18,146	2,070
Prepayments made and accounts receivable	8	38,479	1,184
Cash and cash equivalents	9	30,064	249
<b>Total current assets</b>		<b>86,689</b>	<b>3,503</b>
<b>Total assets</b>		<b>87,177</b>	<b>3,866</b>
<b>Retained surplus</b>	14	<b>78,514</b>	<b>1,515</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	10	7,889	2,146
Accounts payable to the budget		197	205
Special-purpose financing		577	-
<b>Total current liabilities</b>		<b>8,663</b>	<b>2,351</b>
<b>Total retained surplus and liabilities</b>		<b>87,177</b>	<b>3,866</b>

Approved for issue and signed on 2 November 2023.

**Name**

**Position**



**Tetyana Volochay**

**Director**

**Name**

**Position**



**Olena Rudenko**

**Chief Accountant**

The accompanying notes on the pages 5-15 are an integral part of these financial statements

**Charitable Organisation “Charitable Foundation “MHP-Gromadi”**  
**Statement of Profit and Loss and Other Comprehensive Income**  
(in thousands of Ukrainian Hryvnias)

	Notes	2022	2021
Income	11	325,625	139,910
Expenses for programmes and grants	12	(222,173)	(116,494)
Payroll and related charges	13	(16,874)	(13,638)
Other expenses	13	(9,780)	(7,408)
Finance income		201	-
<b>Profit for the year</b>		<b>76,999</b>	<b>2,370</b>
<b>Total comprehensive income for the year</b>		<b>76,999</b>	<b>2,370</b>

**Name**

**Position**



**Tetyana Volochay**

**Director**

**Name**

**Position**



**Olena Rudenko**

**Chief Accountant**

The accompanying notes on the pages 5-15 are an integral part of these financial statements

**Charitable Organisation "Charitable Foundation "MHP-Gromadi"**  
**Statement of Change in Retained Surplus**  
(in thousands of Ukrainian Hryvnias)

	<u>2022</u>	<u>2021</u>
<b>Retained surplus as at 1 January:</b>	<b>1,515</b>	<b>(855)</b>
Comprehensive income for the year	76,999	2,370
<b>Retained surplus as at 31 December:</b>	<b>78,514</b>	<b>1,515</b>

**Name**

**Position**



**Tetyana Volochay**

**Director**

**Name**

**Position**



**Olena Rudenko**

**Chief Accountant**

The accompanying notes on the pages 5-15 are an integral part of these financial statements

**Charitable Organisation "Charitable Foundation "MHP-Gromadi"  
Statement of Cash Flows  
(in thousands of Ukrainian Hryvnias)**

	2022	2021
<b>Cash flows from operating activities</b>		
<b>Inflows from donations and grants:</b>		
Related party financing	307,962	133,136
Fundraising	12,562	702
Grants from other donors	4,855	2,163
Other receipts	113	116
<b>Bank interest received</b>	<b>197</b>	<b>19</b>
<b>Outflows for donations and grants:</b>		
Charitable aid as a response to war	(135,426)	-
Donations for medicine, education and culture	(51,355)	(60,044)
Supporting the population and small business	(41,269)	(15,808)
Charitable aid for statutory activities of other charitable organisations	(38,697)	(36,654)
Other donations	(2,712)	(2,777)
<b>Outflows for administrative expenses:</b>		
Payroll	(13,627)	(10,885)
Payroll charges	(2,841)	(2,238)
Mass media	(2,260)	(2,714)
Fuels and lubricants	(1,798)	(1,229)
Third party services	(1,728)	(475)
Vehicle leases	(907)	(1,011)
Other	(2,630)	(2,053)
<b>Net cash from/(used) in operating activities</b>	<b>30,460</b>	<b>(248)</b>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(696)	(223)
<b>Net cash used in investing activities</b>	<b>(696)</b>	<b>(223)</b>
Effect of exchange rate changes on cash and cash equivalents	51	-
<b>Cash and cash equivalents at the beginning of the year</b>	<b>249</b>	<b>720</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>30,064</b>	<b>249</b>

Name



**Tetyana Volochay**

Position

**Director**

Name



**Olena Rudenko**

Position

**Chief Accountant**

The accompanying notes on the pages 5-15 are an integral part of these financial statements

**Charitable Organisation "Charitable Foundation "MHP-Gromadi"**  
**Notes to the Financial Statements for the year ended 31 December 2022**  
**(in thousands of Ukrainian Hryvnias, unless otherwise stated)**

---

**1. Information on Charitable Organisation "Charitable Foundation "MHP-Gromadi"**

Charitable Organisation "Charitable Foundation "MHP-Gromadi" (the "Foundation") is a voluntary charitable organisation established to facilitate comprehensive development of territorial communities and civil society institutions in nearly 800 communities in Ukraine.

As at 31 December 2022 and 31 December 2021, participants of the Foundation were LLC Research and Production Firm "Urozhay" and PrJSC "MHP". Mr Yuriy Anatoliyovych Kosiuk, a citizen of Ukraine, is the ultimate controlling party of the Foundation.

The Foundation's activities are financed from grants and donations. Key donors are related parties belonging to MHP Group of companies.

Registered address of the Foundation: 46, Smilianska Str., Cherkasy.

Web page of the Foundation: <https://mhpgromadi.org.ua/>

Charitable Foundation "Urozhay - Gromadi" started its activity in 2015 at RPF "Urozhay" as part of MHP Group. In late 2019, it was renamed as Charitable Foundation "MHP - Gromadi".

In 2022, the Foundation carried out its activities in operating locations of 30 entities within MHP Group of companies. The target audience of the Foundation is more than 200 thousand residents of Ukraine.

The mission of the Foundation is to develop communities through building partnership relationships between communities, government and business.

The Foundation's activity is focused on five key areas:

- adaptation of people to developments in a rapidly changing world;
- ecology;
- affordable and high-quality education and healthcare;
- support as a response to war;
- development of communities through raising additional funds (grants) to implement social development projects (fundraising and working with international donors).

As at 31 December 2022, the Foundation employs 38 individuals (2021: 38 individuals).

**2. Operating Environment of the Foundation**

Ukrainian economy has features inherent for emerging markets and its development is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment which changes rapidly.

On 24 February 2022, the Russian armed forces commenced a full-scale invasion across Ukraine, which had an impact on all areas of the Ukrainian life and economy. The part of territories of Kyiv, Chernihiv, Sumy, Kharkiv, Mykolaiv, Kherson Regions were occupied at the beginning of the full-scale war, however were liberated subsequently. As of 31 December 2022, Crimea and significant parts of Donetsk, Luhansk, Kherson and Zaporizhzhia Regions are still under occupation and active hostilities are ongoing there.

Ukrainian businesses located outside the main war zones started to show signs of recovery from April 2022. Since October 2022, Russia started to target with missiles and combat drones energy infrastructure all over Ukraine, causing its destruction and lack of power supply, which resulted in scheduled and unscheduled power outages for both households and businesses. All these events resulted in a decrease of GDP of Ukraine in 2022 by 29.2% (2021: increase by 3%) according to the estimate of the Ministry of Economy of Ukraine. The situation remains tense, it has an impact not only on the Ukrainian but also on the international economy, and its further impact and duration are difficult to predict and quantify.

The National Bank of Ukraine (the "NBU") follows an interest rate policy consistent with inflation targets. The inflation rate in Ukraine for 2022 stood at 26.6% (2021: 10.0%) according to the statistics published by the State Statistics Service of Ukraine. An increase in inflation in 2022 led the NBU

**Charitable Organisation “Charitable Foundation “MHP-Gromadi”**  
**Notes to the Financial Statements for the year ended 31 December 2022**  
**(in thousands of Ukrainian Hryvnias, unless otherwise stated)**

---

to begin monetary tightening and increase its key policy rate from 10% effective from 20 January 2022 to 25% effective from 3 June 2022. Further stabilisation measures allowed to decrease the key policy rate to 22% from 28 July 2023 and to 20% from 15 September 2023.

As of 24 February 2022, the Hryvnia exchange rate was effectively fixed at UAH 29.25 per USD 1 (as compared to UAH 27.28 per USD 1 as at 31 December 2021) on the FX market to ensure the sound and stable operation of the country's financial system. From 21 July 2022, the Hryvnia exchange rate was adjusted to UAH 36.57 per USD 1 and remained fixed at that level until the date of signing these financial statements. Starting from October 2023, the NBU has introduced managed flexibility of the Hryvnia exchange rate against foreign currencies. As of the date of issue of these financial statements, this has not resulted in significant fluctuations of the official exchange rate.

To constrain price increases in Ukraine and to keep inflation under control, the NBU was forced not only to fix the USD exchange rate, but also introduced a number of administrative restrictions, in particular on foreign exchange transactions and capital movements including restrictions on interest and dividends payments abroad in foreign currencies. Due to all these restrictions, UAH lacks exchangeability and is not freely convertible to hard currencies.

The yield to maturity (“YtM”) on Ukrainian Government's Eurobonds increased to 63.4% (for 5-year maturity instruments as of 31 December 2022) from 8.9% as at 31 December 2021. At the same time, the domestic Ukrainian sovereign bonds in UAH (for a 5-year maturity) were traded with the yields of 22% as at 31 December 2022. In August 2022, Ukraine's creditors agreed the two-year standstill on all its Eurobonds that allows to defer near USD 6 billion of scheduled repayments. Foreign currency reserves, that as of 31 December 2021 were at the highest level since 2011, started to be gradually utilised from January 2022. However, due to the inflow of international aid, currency reserves exceeded the February 2022 level by the end of 2022. From the start of the full-scale war, the Ukrainian budget has experienced a significant deficit, which was financed by national and international borrowings and grants. Since the beginning of the full-scale invasion by Russia and till 31 December 2022, the total amount of funds received by Ukraine from international partners amounted to USD 31.2 billion (UAH 1,046 billion), out of which 45% were in the form of grants. International support is crucially important for Ukraine's ability to continue fighting against the aggression and funding the budget deficit.

The recovery of the Ukrainian economy and further economic growth depend on overcoming Russia's military aggression against Ukraine and Ukrainian government's success in implementation of new reforms and the recovery strategy following the end of the invasion, as well as on continued cooperation with international partners. The final effects of the ongoing political and economic uncertainty resulting from Russia's military invasion of Ukraine are highly difficult to predict and they have a significant impact on the Ukrainian economy and the Foundation's activities.

The Foundation continues its operations in these circumstances. The ultimate outcome of the war and its consequences are extremely difficult to predict but it is clear that they will have a severe effect on the Ukrainian economy and the Foundation's activities. Further details of the impact of the military invasion on the Foundation's activities are disclosed in Note 4 to these financial statements.

### **3. Material Accounting Policy Information**

#### **Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost convention. The material information on accounting policies applied in the preparation of these financial statements is set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. Refer to Note 5.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of



**Charitable Organisation “Charitable Foundation “MHP-Gromadi”**  
**Notes to the Financial Statements for the year ended 31 December 2022**  
**(in thousands of Ukrainian Hryvnias, unless otherwise stated)**

---

applying the Foundation's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimations are significant to the financial statements are disclosed in Note 4.

**Going concern.** Management of the Foundation prepared these financial statements on a going concern basis. Refer to Note 4 for uncertainties relating to events and conditions that may cast a significant doubt upon the Foundation's ability to continue as a going concern.

**Presentation currency.** The financial statements are presented in Ukrainian Hryvnias, which is the Foundation's functional currency. All financial information presented in Ukrainian Hryvnias has been rounded to the nearest thousand, unless otherwise indicated.

**Transactions and balances.** Monetary assets and liabilities are translated into the Foundation's functional currency at the official exchange rate of the National Bank of Ukraine (the “NBU”) at the end of each respective reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into the Foundation's functional currency at year-end official exchange rates of the NBU are recognised in profit or loss (“Other expenses”).

At 31 December 2022, the principal rate of exchange used for translating foreign currency balances was: EUR 1 = UAH 38.951 (as at 31 December 2021: EUR 1 = UAH 30.92).

**Items for distribution and use in the Foundation's activities (the “Goods”)**

**Recognition and initial measurement of goods.** Cost of goods comprises all costs of purchase, processing and other expenses incurred to bring goods to their present location and condition. Low-value items are expensed by the Foundation when put into operation.

**Measurement of goods at the balance sheet date.** At each reporting date, goods are measured at the lower of cost and net realisable value. The cost of goods is determined on the FIFO (first-in, first-out) basis.

**Advances issued**

Advances issued are carried at cost less provision for impairment. If there is an indication that the assets, goods or services relating to an advance issued will not be received, the carrying value of the advance issued is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

**Accounts payable**

Accounts payable are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method.

**Grants and other income received**

The underlying principles of accounting and recognition of the Foundation's income as well as the requirements for income disclosure in the financial statements are regulated by the Conceptual Framework for Financial Reporting and are defined by analogy with other standards according to IAS 8 “Accounting policies, changes in accounting estimates and errors”.

**Key definitions.** Financing sources of the Foundation are:

- special-purpose (project) financing received under written agreements signed with donors;
- general-purpose financing (donations, sponsorship, etc.) received without written agreements signed and clearly defined areas for application of funds;
- passive income (interest on cash balances, deposits, proceeds from short-term investments, etc.).

**Charitable Organisation “Charitable Foundation “MHP-Gromadi”**  
**Notes to the Financial Statements for the year ended 31 December 2022**  
**(in thousands of Ukrainian Hryvnias, unless otherwise stated)**

---

**Accounting for Foundation financing.** Donor funds intended to be used for a specific project, which, if not used, are required to be returned to a donor are not recognised by the Foundation as income upon receipt and are recognised as income upon incurrence of relevant expenses. A balance on the special-purpose financing account decreases against donor-funded expenses incurred.

Donor funds received but not spent represent the special-purpose financing amount in the Foundation’s statement of financial position.

General-purpose financing (donations, sponsorship, etc.) received without clearly defined areas for application of funds and conditions of the return of the unused balance is recognised by the Fund upon receipt.

**Income tax**

In accordance with Article 133 of the Tax Code of Ukraine, non-governmental foundations, including those engaged in provision of social services and legal support, and ecological, cultural, awareness-raising, educational and scientific activities are subject to taxation as non-profit organisations (“NPOs”). According to the Charter, the Foundation is not an income taxpayer as it meets the non-profit organisation’s criteria set out by the Tax Code of Ukraine.

The Foundation’s income is used solely for financing of expenses for its maintenance, accomplishment of the purpose (objectives and tasks) and performance of activities defined by the Charter, internal regulations and policies.

**Amendment of the financial statements after issue**

Any changes to these financial statements after issue require approval of the Foundation management who authorised these financial statements for issue.

**4. Critical Accounting Estimates and Judgements in Applying Accounting Policies**

The Foundation makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually reviewed and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgement that has the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amounts of assets and liabilities within the next financial year include:

**Going concern.** Management of the Foundation prepared these financial statements on a going concern basis. In making this judgement, management considered the Foundation’s financial position, current intentions and access to financial resources and analysed the impact of the macroeconomic developments and the Russian Federation’s war on Ukraine on the operations of the Foundation.

The Foundation does not have assets located in the territories of active hostilities. Since the beginning of the war, all assets of the Foundation remain undamaged and have not suffered losses due to military activities.

The Foundation has sufficient workforce. Key management personnel continues to manage the Foundation effectively and efficiently and is taking all appropriate measures required to ensure sustainability of the Foundation under the current circumstances.

The Foundation fully complies with the Ukrainian legislation. Taxes, charges and other mandatory payments to the State and local budgets are paid in full. The Foundation continues settling all its liabilities to its employees on a timely basis and in full.

**Charitable Organisation “Charitable Foundation “MHP-Gromadi”**  
**Notes to the Financial Statements for the year ended 31 December 2022**  
**(in thousands of Ukrainian Hryvnias, unless otherwise stated)**

---

As at the date of these financial statements, there were no instances of discontinuing the operation of the IT systems or cybersecurity-related incidents.

Based on the following facts and circumstances, management of the Foundation does not expect any issues related to the activity and liquidity of the Foundation:

- The Foundation operates in the non-profit sector and is primarily financed by MHP Group entities through non-repayable financial aid;
- Management continues conducting negotiations with existing and potential donors about further financing of the Foundation's activities;
- No evidence of potential termination of the current grant agreements with MHP Group entities and donors exists. In addition, MHP Group is committed to provide emergency financing for the Foundation's activities given the war-time conditions in Ukraine;
- Currency restrictions imposed by the NBU based on the list of the critical import goods (the Resolution of the Cabinet of Ministers of Ukraine No 153 dated 24 February 2022, as amended) did not have an adverse impact on the Foundation's activities. The Foundation does not make payments abroad – all settlements with suppliers are made in Ukraine in Hryvnia.

In the event of the worst-case scenario in which intense hostilities take place throughout Ukraine, it can be assumed that the Foundation's activities could be affected for an unpredictable period of time. These circumstances represent a material uncertainty beyond control of the Foundation.

Management of the Foundation has prepared an adjusted budget and cash flow forecast for the next 12 months after the date of signing these financial statements based on the following assumptions:

- the degree of intensity of hostilities and the scope of the territories of Ukraine which are invaded by the Russian troops will not increase significantly;
- the Foundation will be able to ensure continuity of its critical IT infrastructure and availability of the Foundation's personnel in accordance with the measures taken by management;
- the available liquidity and subsequent grant funds and donations as well as the financial support from MHP will allow the Foundation to cover budgeted expenses.

Management has reviewed the Foundation's ability to continue as a going concern at the date of issue of these financial statements and has concluded that there is the only material uncertainty about further significant escalation in hostilities that can disrupt operations of MHP Group as the main donor of the Foundation, which may cast a significant doubt on the Foundation's ability to continue as a going concern and, therefore, the Foundation may be unable to realise its assets and to discharge its liabilities in the normal course of activities.

Based on these factors, management has a reasonable expectation that the Foundation has sufficient resources to continue as a going concern for the next twelve months after the date of these financial statements. Management will continue to monitor the potential impact and will take all steps possible to mitigate any adverse effects.

Based on these and other steps, management of the Foundation has concluded that the application of the going concern assumption for the preparation of these financial statements is appropriate.

**Charitable Organisation “Charitable Foundation “MHP-Gromadi”**  
**Notes to the Financial Statements for the year ended 31 December 2022**  
**(in thousands of Ukrainian Hryvnias, unless otherwise stated)**

---

**5. Adoption of New or Revised Standards and Interpretations**

The following amendments became effective from 1 January 2022:

***Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).***

Adoption of these amendments did not have a significant effect on the Foundation’s financial statements.

**6. New Accounting Pronouncements**

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2023 or later. The Foundation has not early adopted these standards and interpretations, except for the ***Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies***, which the Foundation adopted from 1 January 2022. As a result of the amendments to IAS 1 the Foundation disclosed in Note 3 only material accounting policy information, not significant accounting policies, which earlier also included accounting policy on immaterial financial statements line items and other immaterial accounting policies (e.g. standard IFRS requirements, which have no choice in application).

***Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023).*** The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations.

***Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).*** These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period.

***Classification of liabilities as current or non-current, Deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2024).*** The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance.

***Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2024).*** The amendment to IAS 8 clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates.

***Amendments to IAS 1 and IFRS Practice Statement 2: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).*** IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provides the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provides illustrative examples of accounting policy information that is likely to be considered material to the entity’s financial statements. Further, the

**Charitable Organisation “Charitable Foundation “MHP-Gromadi”**  
**Notes to the Financial Statements for the year ended 31 December 2022**  
**(in thousands of Ukrainian Hryvnias, unless otherwise stated)**

amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2 was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

**IFRS 17 “Insurance Contracts” (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023).** IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices.

**Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).** The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard.

**Transition Option for Insurers Applying IFRS 17 - Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023).** The amendment to the transition requirements in IFRS 17 provides insurers with an option aimed at improving the usefulness of information to investors on initial application of IFRS 17. The amendment relates to insurers’ transition to IFRS 17 only and does not affect any other requirements in IFRS 17.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Foundation’s financial statements.

**7. Items for Distribution and Use in the Foundation Activities**

	<b>31.12. 2022</b>	<b>31.12.2021</b>
Programme items, including:	17,277	1,413
Logistic and medical equipment	10,333	994
Clothes and items for personal use	4,541	174
Goods for nutrition	1,940	176
Other	463	69
Consumables	789	618
Fuel cards	76	39
Other inventories	4	-
<b>Total items for distribution and use in the Foundation activities</b>	<b>18,146</b>	<b>2,070</b>

**8. Advances Issued and Accounts Receivable**

	<b>31.12. 2022</b>	<b>31.12. 2021</b>
Prepayments	38,523	1,184
Less impairment provision	(44)	-
<b>Total advances issued and accounts receivable</b>	<b>38,479</b>	<b>1,184</b>

Prepayments as at 31 December 2022 include advances issued to Ukrainian suppliers for goods falling under Charitable aid as a response to war category.

**9. Cash and Cash Equivalents**

	<b>31.12. 2022</b>	<b>31.12. 2021</b>
UAH-denominated cash in bank	2,064	249
UAH-denominated deposits with maturities of under 3 months (8% interest rate)	28,000	-
<b>Total cash and cash equivalents</b>	<b>30,064</b>	<b>249</b>

**Charitable Organisation “Charitable Foundation “MHP-Gromadi”**  
**Notes to the Financial Statements for the year ended 31 December 2022**  
**(in thousands of Ukrainian Hryvnias, unless otherwise stated)**

As at 31 December 2022 and 2021 the Foundation had no restricted cash and cash equivalents. The Foundation had no material non-cash transactions during the reporting period.

Cash and cash equivalents are assigned with a credit quality rating “uaAAA” (based on the ratings of a local rating agency “Expert-Rating”) as at 31 December 2022 and 31 December 2021.

The Foundation assessed the expected credit losses on impairment of cash as immaterial as at the end of each reporting period.

**10. Accounts Payable**

	<b>31.12.2022</b>	<b>31.12.2021</b>
Accounts payable for goods and services	4,494	574
Other payables	1,428	93
<b>Total financial payables</b>	<b>5,922</b>	<b>667</b>
Payroll payable to employees	433	382
Provision for employee vacations	1,534	1,097
<b>Total other payables</b>	<b>1,967</b>	<b>1,479</b>
<b>Total accounts payable</b>	<b>7,889</b>	<b>2,146</b>

Other payables as at 31 December 2022 comprise the following:

- charity: UAH 1,339 thousand;
- lease of vehicles from employees: UAH 81 thousand;
- settlements with accountable individuals: UAH 5 thousand;
- settlements under the orders of enforcement: UAH 3 thousand.

**11. Income**

	<b>2022</b>	<b>2021</b>
Non-returnable financial assistance from related parties	307,712	136,579
Donations, received from fundraising	15,226	2,605
Targeted grants	2,667	704
Other income	20	22
<b>Total income</b>	<b>325,625</b>	<b>139,910</b>

Irrevocable financial aid from related parties and donations received from fundraising have no particular spending requirements and no conditions for returning the unused balance of funds.

**12. Expenses for Programmes and Grants**

	<b>2022</b>	<b>2021</b>
Charitable aid as a response to war	89,363	-
Donations for medicine, education and culture	52,977	60,044
Supporting the population and small business	40,619	15,808
Charitable aid for statutory activities of other charitable organisations	38,662	36,654
Other donations	552	3,988
<b>Total expenses</b>	<b>222,173</b>	<b>116,494</b>

**Charitable Organisation “Charitable Foundation “MHP-Gromadi”**  
**Notes to the Financial Statements for the year ended 31 December 2022**  
(in thousands of Ukrainian Hryvnias, unless otherwise stated)

**13. Other Expenses**

	<b>2022</b>	<b>2021</b>
Current repair expenses	2,682	649
Communication expenses	1,867	2,737
Fuel and other materials	1,655	1,134
Leases	1,014	1,774
Other administrative expenses	2,562	1,114
<b>Total other expenses</b>	<b>9,780</b>	<b>7,408</b>

Unified social contribution expenses as part of the line “Payroll and related charges” amounted to UAH 2,841 thousand in 2022 (2021: UAH 2,238 thousand).

Under the Law of Ukraine on Charitable Activities and Charitable Organisations No 5073-VI dated 5 July 2012, administrative expenses (line items “Payroll and related charges” and “Other expenses”) are capped at 20% of the organisation’s current year income. For 2022, this ratio was 8.1% (2021: 15.0%).

**14. Retained Surplus**

Under Ukrainian law, not-for-profit organisations have no equity which could be distributed between the participants. In case of liquidation, the Foundation’s assets should be transferred either to the non-for-profit organisation or to the state budget. Management of the Foundation does not treat the retained surplus as capital and thus does not manage capital.

**15. Contingencies and Commitments**

**Tax contingencies.** The Foundation is a not-for-profit organisation and is subject to special tax requirements. Inconsistent application, interpretation, and enforcement of tax laws can lead to litigations, which, consequently, may result in the imposition of additional taxes, penalties, and interest, and these amounts could be material. In the context of the current economic and political matters, Government made certain reforms in Ukraine’s tax system. Management believes that the Foundation is in compliance with all requirements of the current tax legislation.

There are no additional commitments and fines that may be imposed for the years ended 31 December 2022 and 2021 that have been assessed by managements as giving rise to potential future cash outflows.

**Legal proceedings.** As at 31 December 2022, the Foundation is not party to any legal proceedings or other claims.

**16. Related Party Transactions**

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

During 2022, transactions with related parties were as follows:

	<b>2022</b>	<b>2021</b>
<b>Related party transactions, including:</b>		
Financial aid received from related parties - participants of the Foundation	49,000	-
Financial aid received from related parties - entities under common control	259,396	133,322
Purchases from related parties - participants of the Foundation	6,409	1,415
Purchases from related parties - entities under common control	155	367
Purchases from related parties - individuals	182	259

**Charitable Organisation “Charitable Foundation “MHP-Gromadi”**  
**Notes to the Financial Statements for the year ended 31 December 2022**  
**(in thousands of Ukrainian Hryvnias, unless otherwise stated)**

As at 31 December 2022, the Foundation has the following balances with related parties:

	<b>31 December 2022</b>	<b>31 December 2021</b>
<b>Balances with related parties, including:</b>		
Payables to related parties - participants of the Foundation	246	25
Payables to related parties - entities under common control	39	168
Payables to related parties - individuals	5	21

Remuneration of key management personnel of the Foundation for the year ended 31 December 2022 amounted to UAH 1,981 thousand (2021: 1,572 thousand), including the unified social contribution charge in the amount of UAH 239 thousand (2021: 224 thousand). The outstanding balance payable to key management personnel amounted to UAH 29 thousand as at 31 December 2022 (31 December 2021: UAH 34 thousand). Key management personnel comprises the Director of the Foundation.

## **17. Financial Risk Management**

The risk management function within the Foundation is carried out with respect to financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The primary function of financial risk management is to establish risk limits and to ensure that any exposure to risk stays within these limits. The operational and legal risk management functions are intended to ensure the proper functioning of internal policies and procedures in order to minimise operational and legal risks.

### **Credit risk**

The Foundation exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation.

The Foundation is exposed to credit risk from its cash and cash equivalents. The Foundation's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the consolidated statement of financial position and respective notes.

Based on the analysis performed, the Foundation did not recognise any loss from impairment of financial assets for 2022 and 2021 as the amount is immaterial. Impairment of cash and cash equivalents was assessed based on 12-month ECL and reflects the short-term nature of positions exposed to risk. The Foundation believes, based on its analysis of the counterparties, that cash and cash equivalents it holds have relatively low credit risk on the local market, taking into account the assessments of the national rating agencies.

### **Interest rate risk**

The Foundation has no floating rate instruments, and therefore any changes in interest rates as at the reporting date would not have a significant impact on profit or loss or net assets.

### **Currency risk**

The Foundation's monetary assets and liabilities are mainly denominated in UAH, and any reasonably possible changes in currency exchange rates applied as of the end of the reporting period to the Foundation's functional currency, with all other variables held constant, would not have a significant impact on its profit or loss and retained earnings.



**Charitable Organisation “Charitable Foundation “MHP-Gromadi”**  
**Notes to the Financial Statements for the year ended 31 December 2022**  
**(in thousands of Ukrainian Hryvnias, unless otherwise stated)**

---

**Liquidity risk**

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting obligations associated with financial liabilities. The Foundation's liquidity position is carefully monitored and managed. The Foundation has a detailed budgeting and cash flow forecasting process to make sure adequate cash is available to meet its payment obligations.

As at 31 December 2022 and 2021, all financial liabilities of the Foundation (based on contractual payments) are payable within one to three months.

**18. Fair Value Disclosures**

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

The fair values of all financial instruments carried at amortised cost in the statement of financial position of the Foundation as at 31 December 2022 and 31 December 2021 approximate their carrying amounts at these dates.

**19. Presentation of Financial Instruments by Measurement Category**

For the purposes of measurement, IFRS 9 “Financial Instruments” classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) debt instruments at FVOCI, (c) equity instruments at FVOCI and (d) financial assets at AC. Financial assets at FVTPL have two sub-categories: (i) assets mandatorily measured at FVTPL, and (ii) assets designated as such upon initial recognition.

All financial instruments of the Foundation as at 31 December 2022 and 31 December 2021 are carried at amortised cost.

**20. Events after the Reporting Period**

For the period from 1 January 2023 to the date of approval of these financial statements for issue, the Foundation received cash inflows to its bank accounts from various sources in the total amount of UAH 417,000 thousand.

