

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

International Financial Reporting Standards
Financial Statements and Independent Auditor’s Report
31 December 2023

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Independent Auditor's Report

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

	Notes	31.12.2023	31.12.2022
ASSETS			
Non-current assets			
Intangible assets		41	69
Property and equipment		1,372	259
Other non-current assets		191	160
Total non-current assets		1,604	488
Current assets			
Items for distribution and use in the Foundation's activities	7	46,376	18,146
Prepayments made and accounts receivable	8	56,451	38,479
Cash and cash equivalents	9	15,737	30,064
Other current assets		5	-
Total current assets		118,569	86,689
Total assets		120,173	87,177
Retained surplus	14	90,869	78,514
LIABILITIES			
Current liabilities			
Accounts payable	10	26,672	7,889
Accounts payable to the budget		316	197
Advances received		12	
Current provisions	10	1,885	
Special-purpose financing		419	577
Total current liabilities		29,304	8,663
Total retained surplus and liabilities		129,173	87,177

Approved for issue and signed on 27 September 2024.

Name
Position




Oleksandr Pakholiuk
Director

Name
Position

Olena Rudenko
Chief Accountant

The accompanying notes 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	2023	2022
Income	11	707,515	325,625
Expenses for programmes and grants	12	(635,535)	(222,173)
Payroll and related charges	13	(24,008)	(16,874)
Other expenses	13	(35,637)	(9,780)
Finance income		382	201
Other income		46	-
Exchange rate differences		(408)	-
Profit for the year		12,355	76,999
Total comprehensive income for the year		12,355	76,999

Name
Position



Oleksandr Pakholiuk
Director

Name
Position

Olena Rudenko
Chief Accountant

The accompanying notes 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>2023</u>	<u>2022</u>
Retained surplus as at 1 January:	78,514	1,515
Comprehensive income for the year	12,355	76,999
Retained surplus as at 31 December:	<u>90,869</u>	<u>78,514</u>

Name
Position



Oleksandr Pakholiuk
Director

Name
Position

Olena Rudenko
Chief Accountant

The accompanying notes 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 2023
(in thousands of Ukrainian Hryvnias, unless otherwise specified)

	2023	2022
Cash flows from operating activities		
Inflows from donations and grants:		
Related party financing	669,324	307,962
Fundraising	4,942	12,562
Grants from other donors	3,726	4,855
Bank interest received	385	197
Other receipts	31	113
Outflows for donations and grants:		
Charitable aid as a response to war	(424,445)	(135,426)
Donations for medicine, education and culture	(100,120)	(51,335)
Supporting the population and small business	(46,268)	(41,269)
Charitable aid for statutory activities of other charitable organisations	(58,749)	(38,697)
Other donations	(6,157)	(2,712)
Outflows for administrative expenses:		
Payroll	(19,416)	(13,627)
Payroll charges	(3,787)	(2,841)
Mass media	(17,017)	(2,260)
Fuels and lubricants	(2,501)	(1,798)
Third party services	(3,391)	(1,728)
Vehicle leases	(2,561)	(907)
Other	(7,267)	(2,629)
Net cash from/(used) in operating activities	(13,271)	30,460
Cash flows from investing activities		
Purchases of property and equipment	(842)	(696)
Net cash used in investing activities	(842)	(696)
Effect of exchange rate changes on cash and cash equivalents	(214)	51
Cash and cash equivalents at the beginning of the year	30,064	249
Cash and cash equivalents at the end of the year	15,737	30,064

Name

Position



Oleksandr Pakholiuk

Director

Name

Position



Olena Rudenko

Chief Accountant

The accompanying notes 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 2023
(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 2023 and 31 December 2022, 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://mhp-gromadi.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 2023, 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 2023, the Foundation employs 66 individuals (2022: 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 2023, Crimea and significant parts of Donetsk, Luhansk, Kherson and Zaporizhzhia Regions are still under occupation and active hostilities are ongoing there, although the front line has not changed significantly since 2022.

Mobilization into the armed forces continues in Ukraine, which has a negative impact on the labor market and on companies and industries that do not meet the criteria for reserving male employees from mobilization. In 2023, Russia continued to attack civilian infrastructure, including attempting to damage Ukrainian seaport facilities and port facilities on the Danube River since its withdrawal from the Black Sea Grain Agreement in July 2023, which temporarily reduced Ukraine's export potential. Despite this situation, from August 2023, exports by sea resumed, but at the end of 2023, additional difficulties arose with land transportation due to strikes by Polish carriers, which blocked border crossing points with Ukraine. The situation remains tense and affects not only the Ukrainian, but also the world economy, and its further impact and duration are difficult to predict and estimate. Additional information on the impact of the war on the Fund's assets and activities is provided in Note 4.

Charitable Organisation “Charitable Foundation “MHP-Gromadi”
Notes to the Financial Statements for the year ended 31 December 2023
(in thousands of Ukrainian Hryvnias, unless otherwise stated)

According to the estimates of the Ministry of Economy of Ukraine, the GDP of Ukraine increased by 5% in 2023 (in 2022 – a decrease of 29.1%). The National Bank of Ukraine pursues an interest rate policy that corresponds to inflation targets. In 2023, the rate of inflation in Ukraine was at the level of 5% (in 2022 - at the level of 26.6%), according to statistical data published by the State Statistics Service of Ukraine. The NBU increased the discount rate from 10% from 20 January 2022 to 25% from 3 June 2022. During 2023, the NBU gradually reduced the discount rate to 15% from 15 December 2023 (as of the reporting date) and further to 14.5% from 15 March 2024, to 13.5% from 26 April 2024, and to 13% from 14 June 2024.

In order to ensure the reliable and stable functioning of the country's financial system, the exchange rate of the hryvnia as of 24 February 2022 was fixed on the foreign exchange market at the level of 29.25 hryvnias for 1 US dollar. Starting from 21 July 2022, the hryvnia exchange rate was adjusted to 36.57 hryvnias per US dollar, and from 3 October 2023, the NBU returned to a floating hryvnia exchange rate. As of 31 December 2023, the official exchange rate was 37.98 hryvnias per US dollar (compared to 36.57 hryvnias per US dollar as of 31 December 2022).

In order to control inflation in 2022, the NBU also introduced a number of administrative restrictions, in particular, on currency transactions and capital withdrawals, including restrictions on the payment of interest and dividends in foreign currency outside of Ukraine. In June 2023, the NBU cancelled some currency restrictions, in particular, related to the transfer of funds abroad for the servicing and repayment of external credits and loans received after 20 June 2023 (provided that a number of requirements are simultaneously met), as well as previously provided through international financial organization or secured by a foreign export credit agency or a foreign state. In addition, as of 1 December 2023, the NBU has introduced new easing of currency restrictions concerning, among other things, the cancellation of restrictions on the sale of foreign currency for banks and non-bank financial institutions, as well as the permission for the Export Credit Agency to transfer funds abroad for compensation for insurance and reinsurance contracts. At the same time, from 1 August 2023, some other regulatory relaxations previously granted by the government were terminated, in particular, the moratorium on tax audits was partially lifted.

The yield to maturity on Eurobonds of the government of Ukraine decreased to 50.6% (for instruments with a 5-year maturity as of 31 December 2023) from 63.4% as of 31 December 2022. At the same time, according to the NBU, Ukrainian OVDP bonds in hryvnia (with a 5-year maturity) traded with a yield of 18% as of 31 December 2023 (22% as of 31 December 2022).

Since the beginning of the full-scale invasion, the budget of Ukraine has suffered a significant deficit, which was financed by national and international borrowing, grants and other means. As a result of the influx of international aid, foreign exchange reserves reached a new record level of US\$41.7 billion as of 31 July 2023, the highest level of reserves in more than 30 years. In the future, the slowdown in the provision of international aid led to a reduction in foreign exchange reserves of Ukraine, which as of 31 December 2023 amounted to 40.5 billion US dollars. International support is critical to Ukraine's ability to continue its fight against aggression, finance its budget deficit, and regularly repay its debt obligations.

The recovery of Ukraine's economy and further economic growth depend on overcoming Russia's military aggression against Ukraine and on the success of the Government of Ukraine in implementing new reforms and reconstruction strategies after the end of the invasion, as well as on cooperation with international partners.

The final consequences of the current political and economic uncertainty caused by Russia's military invasion of the territory of Ukraine are extremely difficult to predict, and they have a significant impact on the economy of Ukraine and the activities of the Fund.

As of the date of this financial statement, the condition and security of the Fund's assets have not been significantly affected by the ongoing invasion of the Russian Federation. Management will continue to monitor the potential impact of these events and will take all possible measures to mitigate any adverse effects. More detailed information on the impact of the military invasion on the activities of the Fund is given in Note 4 to these financial statements.

Charitable Organisation “Charitable Foundation “MHP-Gromadi”
Notes to the Financial Statements for the year ended 31 December 2023
(in thousands of Ukrainian Hryvnias, unless otherwise stated)

3. Material Accounting Policy Information

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS Accounting Standards”) 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 Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of 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 2023, the principal rate of exchange used for translating foreign currency balances was: EUR 1 = UAH 42.208 (as at 31 December 2022: EUR 1 = UAH 38.951).

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”.

Charitable Organisation “Charitable Foundation “MHP-Gromadi”
Notes to the Financial Statements for the year ended 31 December 2023
(in thousands of Ukrainian Hryvnias, unless otherwise stated)

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.).

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.

Charitable Organisation “Charitable Foundation “MHP-Gromadi”
Notes to the Financial Statements for the year ended 31 December 2023
(in thousands of Ukrainian Hryvnias, unless otherwise stated)

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.

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.

Charitable Organisation "Charitable Foundation "MHP-Gromadi"
Notes to the Financial Statements for the year ended 31 December 2023
(in thousands of Ukrainian Hryvnias, unless otherwise stated)

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.

5. Adoption of New or Revised Standards and Interpretations

The following new standards and amendments to standards are effective from 1 January 2023:

IFRS 17 Insurance Contracts, amendments to IAS 1 and IFRS Practice Guidance 2: Disclosures about accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023), amendments to IAS 8 Determination of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023), Deferred taxes related to with assets and liabilities arising from a single transaction – amendments to IAS 12 (issued on 7 May 2021 and applicable for annual periods beginning on or after 1 January 2023), amendments to IAS 12 "Income Taxes: international tax reform – model rules of the second component" (published on 23 May 2023). The application of these changes did not have a significant impact on the Fund's financial statements.

Amendments to IAS 1 and Practice Guidance 2 from IFRS: Disclosures about accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). Amendments to IAS 1 require organizations to disclose material information about accounting policies, rather than the main provisions of accounting policies. The amended standard defines significant information about accounting policies. The amended standard also clarifies that information about accounting policies is considered material if, without it, users of financial statements would not be able to understand other material information presented in the financial statements. The Fund began applying these changes starting with the 2022 financial statements.

Amendments to IAS 8: Definitions of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). Amended IAS 8 clarified how entities should distinguish changes in accounting policies from changes in accounting estimates.

The application of these changes did not have a significant impact on the Fund's financial statements.

6. New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the Fund to apply in annual periods beginning on or after 1 January 2024. The Fund did not apply these standards and interpretations prior to their mandatory application.

Amendments to IFRS 16 Leases: Lease Obligations in Sale and Leaseback Transactions (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024). These changes apply to sale-leaseback transactions that meet the requirements of IFRS 15 to be accounted for as a sale transaction.

Classification of liabilities as current or non-current – amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022; finally effective for annual periods beginning on or after 1 January 2024 this date). These changes clarify that liabilities are classified as current or non-current depending on the rights existing at the end of the reporting period.

Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures: Supplier Financing Mechanisms" (issued on 25 May 2023). These changes require disclosure of information about the entity's supplier financing arrangements that will allow users of financial statements to assess the impact of those arrangements on the entity's liabilities and cash flows, as well as its exposure to liquidity risk.

Charitable Organisation “Charitable Foundation “MHP-Gromadi”
Notes to the Financial Statements for the year ended 31 December 2023
(in thousands of Ukrainian Hryvnias, unless otherwise stated)

IFRS 14 Deferred Rate Adjustment Accounts (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016). IFRS 14 allows first-time adopters to continue to recognize amounts related to tariff regulation in accordance with their previous GAAP when transitioning to IFRS Accounting Standards. However, in order to improve comparability with entities that already apply IFRS Accounting Standards and do not recognize such amounts, the standard requires the impact of tariff regulation to be reflected separately from other items.

Sale or contribution of assets to an associate or joint venture by an investor – amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). The main effect of applying the changes is that the gain or loss is recognized in full if the transaction relates to a business. If the assets do not constitute a business, even if the subsidiary owns the assets, only a portion of the gain or loss is recognized.

Unless otherwise noted above, these new standards and interpretations are not expected to have a material impact on the Fund's financial statements.

7. Items for Distribution and Use in the Foundation Activities

	31.12.2023	31.12.2022
Programme items, including:	45,598	17,277
<i>Logistic and medical equipment</i>	43,161	10,333
<i>Clothes and items for personal use</i>	1,286	4,541
<i>Goods for nutrition</i>	271	1,940
<i>Other</i>	880	463
Consumables	734	789
Fuel cards	38	76
Other inventories	6	4
Total items for distribution and use in the Foundation activities	46,376	18,146

8. Advances Issued and Accounts Receivable

	31.12.2023	31.12.2022
Prepayments	56,129	38,523
Less impairment provision	(44)	(44)
Other debt	366	-
Total advances issued and accounts receivable	56,451	38,479

Prepayments as at 31 December 2023 include advances issued to Ukrainian suppliers for goods falling under Charitable aid as a response to war category.

9. Cash and Cash Equivalents

	31.12. 2023	31.12. 2022
UAH-denominated cash in bank	737	2,064
UAH-denominated deposits with maturities of under 3 months (8% interest rate)	15,000	28,000
Total cash and cash equivalents	15,737	30,064

As at 31 December 2023 and 2022 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 2023 and 31 December 2022.

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

Charitable Organisation “Charitable Foundation “MHP-Gromadi”
Notes to the Financial Statements for the year ended 31 December 2023
(in thousands of Ukrainian Hryvnias, unless otherwise stated)

10. Accounts Payable

	31.12.2023	31.12.2022
Accounts payable for goods and services	23,493	4,494
Other payables	2,367	1,428
Total financial payables	25,860	5,922
Payroll payable to employees	812	433
Provision for employees vacations	1,885	1,534
Total other payables	2,697	1,967
Total accounts payable	28,557	7,889

Other payables as at 31 December 2023 comprise the following:

- charity: UAH 2,349 thousand;
- settlements with accountable individuals: UAH 12 thousand;
- settlements under the orders of enforcement: UAH 6 thousand.

11. Income

	2023	2022
Non-returnable financial assistance from related parties	692,156	307,712
Donations, received from fundraising	11,255	15,226
Targeted grants	4,104	2,667
Other income	-	20
Total income	707,515	325,625

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

	2023	2022
Charitable aid as a response to war	426,984	89,363
Donations for medicine, education and culture	93,505	48,100
Charitable aid for statutory activities of other charitable organisations	57,839	38,662
Supporting the population and small business	45,369	40,619
Community infrastructure repair	10,798	4,877
Other donations	1,040	552
Total expenses	635,535	222,173

13. Other Expenses

	2023	2022
Communication expenses	17,089	1,867
Team Building and Motivation	5,414	275
Information and Consulting Services	4,259	1,037
Fuel and other materials	2,319	1,655
Leases	2,133	1,014
Current repair expenses	542	2,682
Other administrative expenses	3,881	1,250
Total other expenses	35,637	9,780

Unified social contribution expenses as part of the line “Payroll and related charges” amounted to UAH 3,883 thousand in 2023 (2022: UAH 2,841 thousand).

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Notes to the Financial Statements for the year ended 31 December 2023
(in thousands of Ukrainian Hryvnias, unless otherwise stated)

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 2023, this ratio was 8.4% (2022: 8.1%).

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 2023 and 2022 that have been assessed by managements as giving rise to potential future cash outflows.

Legal proceedings. As at 31 December 2023, 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 2023, transactions with related parties were as follows:

	2023	2022
Related party transactions, including:		
Financial aid received from related parties - participants of the Foundation	203,362	49,000
Financial aid received from related parties - entities under common control	488,794	259,396
Purchases from related parties - participants of the Foundation	6,316	6,409
Purchases from related parties - entities under common control	1,591	155
Purchases from related parties - individuals	94	182

As at 31 December 2023, the Foundation has the following balances with related parties:

	31.12.2023	31.12.2022
Balances with related parties, including:		
Payables to related parties - participants of the Foundation	566	246
Payables to related parties - entities under common control	106	39
Payables to related parties - individuals	-	5

Remuneration of key management personnel of the Foundation for the year ended 31 December 2023 amounted to UAH 2,057 thousand (2022: 1,981 thousand), including the unified

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social contribution charge in the amount of UAH 452 thousand (2022: 239 thousand). The outstanding balance payable to key management personnel amounted to UAH 55 thousand as at 31 December 2023 (31 December 2022: UAH 29 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 2023 and 2022 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.

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 2023 and 2022, all financial liabilities of the Foundation (based on contractual payments) are payable within one to three months.

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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 2023 and 31 December 2022 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 2023 and 31 December 2022 are carried at amortised cost.

20. Events after the Reporting Period

For the period from 1 January 2024 to the date of approval of this financial statement for release, the Fund received income to bank accounts for financing activities from various sources in the total amount of UAH 905,000 thousand.