ATLANT
Closed Joint-Stock Company

Consolidated Financial Statements of the Group
For the year ended
31 December 2020

Statement of Management's Responsibility for the Preparation and Approval of the Consolidated Financial Statements

The Management of ATLANT CJSC (hereinafter – the Company) is responsible for preparing the consolidated financial statements of the Company. The consolidated financial statements on pages 8 to 49 represent fairly the financial position of the Company as at 31 December 2020, results of its operations, cash flows and changes in equity for the year ended 31 December 2020 in accordance with International Financial Reporting Standards.

The Management of the Company confirms that appropriate accounting policies have been used and applied consistently. Reasonable and prudent judgments and estimates have been made in the preparation of the consolidated financial statements. The Management of the Company also confirms that the consolidated financial statements have been prepared on a going concern basis.

The Management of the Company is responsible for developing, implementing and maintaining an effective internal control system in the Company, as well as for keeping proper accounting records, for taking necessary steps to safeguard the assets as well as to detect and prevent fraud and errors.

The consolidated financial statements for the year ended 31 December 2020 were approved on 11 June 2020 and signed on behalf of the Management by:

- General Director D.V. Sokolovsky
- Deputy General Director for Economy and Finance T.V. Krapivnitskaya

Contents

Grant Thornton

An instinct for growth™

29.06.2021 № 167/21-3

Ref No __________ dated ____________

Grant Thornton LLC
103, Pobeditelei Av.,
Office 507, 220020, Minsk, Republic of Belarus
UNP 100024856,
OKPO 37384691
Account: BY89 ALFA 30122723880010270000
at Alfabank CJSC,
Code ALFABY2X
Bank Address:
43-47 Surganova Str., Minsk,

T +375 17 308 70 81 (82)
e-mail: info@by.gt.com
www.grantthornton.by

To the Shareholders and the Management of
ATLANT Closed Joint-Stock Company

Independent Auditor's Report

Qualified opinion

We have audited the consolidated financial statements of ATLANT Closed Joint Stock Company (hereinafter - the Company) (legal address and physical location: 61 Pobeditelei Ave., Minsk, 220035, Republic of Belarus, UNP 100010198) and its subsidiaries (hereinafter - the Group), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and the consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Qualified Opinion

As at 31 December 2020 and 31 December 2019 there are indications that the recoverable amount of property, plant and equipment might be lower than its carrying amount recognised in Consolidated Statement of Financial Position in the amount of BYN 224,295 thousand and BYN 234,228 thousand correspondingly. International Financial Reporting Standard IAS 36 *Impairment of Assets* requires that, where such indications exist, Management makes a proper estimate of the recoverable amounts. No such estimate has been made. The effects of these deviations from International Financial Reporting Standards on the consolidated financial statements have not been determined. Thus, we were not able to determine whether the possible adjustments regarding property, plant and equipment recognised in the Consolidated Statement of Financial Position as at these dates and items included into the Consolidated Statement of Profit or Loss and other Comprehensive Income, Consolidated Statement of Changes in Equity and Statement of Cash Flows for the years ended 31 December 2020 and 31 December 2019 correspondingly are necessary.

We conducted the audit in compliance with International Standards on Auditing (ISAs) and National Auditing Rules. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We complied with the independence principle in relation to the Group according to the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Belarus and the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants. 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 your attention to Note 2 of the consolidated financial statements, which indicates that the Group incurred a loss of BYN 13,366 thousand and BYN 31,560 thousand during the years ended 31 December 2020 and 31 December 2019 correspondingly. As stated in Note 2, this event, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The Management discloses in Note 2 the stated information, as well as the measures planned by Management to improve the financial position of the Group. At the same time, steady positive financial dynamics of the Group's work over the past few years has been noted, namely, improvement in the balance sheet structure and financial result.

Our opinion is not modified in respect of this matter.

Key audit issues

We have determined that, except for the issues described in *Basis for Qualified Opinion* and *Material Uncertainty Related to Going-Concern* sections, there are no key audit issues.

Responsibilities of the Management of ATLANT CJSC for the Preparation of the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the preparation of the consolidated financial statements of the Group (within their functions on control over completeness, accuracy and fairness of the consolidated financial statements of ATLANT CJSC).

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to fraud and (or) errors, 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 the audit conducted in accordance with International Standards on Auditing and National Auditing Rules will always detect a material misstatement when it exists.

Misstatements can arise from fraud or errors 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 consolidated financial statements.

As a part of our audit in accordance with International Standards on Auditing and National Auditing Rules, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

a) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or errors; 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 generally implies availability of specially designed measures aimed at their concealment;

b) obtain an understanding of the Group's 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 Group's internal control;

c) evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made in the statements;

d) conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, make conclusion whether a material uncertainty exists related to events or conditions that may cast significant doubt on Group'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 consolidated financial statements or, if they are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of signing of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transaction and events in a manner that achieves fair presentation;

f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.

We remain solely responsible for our audit opinion.

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

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

We choose key audit issues from the questions provided to those charged with governance and disclose these issues in the auditor's report (except the cases when disclosure of these issues is prohibited by the legislation or when we reasonably conclude that adverse consequences of disclosure of such information would exceed the advantages of its disclosure).

Valentina Silina
Engagement Manager,
Director of Grant Thornton LLC

«Грант Торнтон»

Kirill Kondratenko
Head of the Audit Team, auditor

Auditor's entity:
Grant Thornton Limited Liability Company;
Address: 103 Pobeditelei avenue, office 507, Minsk, 220020, Republic of Belarus;
Registered by the decision of Minsk Municipal Executive Committee as of 12 July 2013
UNP 100024856

Minsk, Republic of Belarus
29 June 2021

***1 (one) copy of the auditor's opinion on the financial statements was received on**

____________________ **2021**.

____________________	____________________	____________________
Signature	*Full name*	*Position*

Consolidated Statement of Financial Position

(in thousands of Belarusian roubles)

	Notes	31 December 2020	31 December 2019
Assets			
Property, plant and equipment	7	224,295	234,228
Intangible assets	8	485	327
Investments in associates	9	3,980	4,018
Other investments		-	13
Total non-current assets		**228,760**	**238,586**
Inventories	10	91,051	85,274
Trade receivables	11	113,076	88,499
Income tax prepaid		124	151
Other prepayments and current assets	12	14,120	8,670
Cash and cash equivalents	13	22,178	13,967
Total current assets		**240,549**	**196,561**
Total assets		**469,309**	**435,147**
Equity and liabilities			
Equity			
Share capital	14	572,394	572,394
Accumulated loss		(549,582)	(536,231)
Presentation currency translation reserve	14	2,234	2,216
Total equity attributable to the owners of the parent company		**25,046**	**38,379**
Non-controlling interest		350	365
Total equity		**25,396**	**38,744**
Liabilities			
Long-term liabilities			
Deferred income		36	57
Long-term loans and borrowings	15	2,289	3,914
Deferred tax liability	26	2,644	2,561
Provisions	17	6,907	7,673
Total long-term liabilities		**11,876**	**14,205**
Short-term liabilities			
Deferred income		22	22
Loans and borrowings	15	352,150	304,776
Trade payables	16	59,321	59,645
Provisions	17	7,163	7,558
Other liabilities	18	13,381	10,197
Short-term liabilities		432,037	382,198
Total liabilities		**443,913**	**396,403**
Total equity and liabilities		**469,309**	**435,147**

General Director

D.V. Sokolovsky

Deputy General Director for Economy and Finance

T.V. Krapivnitskaya

The accompanying notes on pages 13-49 form the integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

(in thousands of Belarusian roubles)

	Notes	2020	2019
Revenue	19	594,614	489,339
Cost of sales	20	(491,847)	(453,811)
Gross profit		**102,767**	**35,528**
Other operating income	23	1,910	1,533
Distribution expenses	21	(17,617)	(17,171)
Administrative expenses	22	(18,432)	(18,749)
Other operating expenses	24	(6,987)	(5,133)
Result from operating activities		**61,641**	**(3,992)**
Finance income		867	2,659
Finance expenses		(74,589)	(29,124)
Net finance expenses	25	**(73,722)**	**(26,465)**
Share in profit of associates	9	126	239
(Loss) profit before taxation		**(11,955)**	**(30,218)**
(Expense) income tax expenses	26	(1,411)	(1,342)
(Loss) profit for the year		**(13,366)**	**(31,560)**
Other comprehensive expenses			
Other comprehensive expenses that can be reclassified into profit or loss in subsequent periods:			
Changes in presentation currency translation reserve		18	145
Net other comprehensive expenses that can be reclassified into profit or loss in subsequent period		**18**	**145**
Total comprehensive income (expenses) for the year		**(13,348)**	**(31,415)**
Profit (loss) attributable to:			
Shareholders of the Company		(13,351)	(31,559)
Non-controlling interest holders		(15)	(1)
Profit (loss) for the year		**(13,366)**	**(31,560)**
Total comprehensive profit (loss) attributable to:			
Shareholders of the Company		(13,333)	(31,414)
Non-controlling interest holders		(15)	(1)
Total comprehensive income (expenses) for the year		**(13,348)**	**(31,415)**

General Director

D.V. Sokolovsky

Deputy General Director for Economy and Finance

T.V. Krapivnitskaya

The accompanying notes on pages 13-49 form the integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

(in thousands of Belarusian roubles)

	Attributable to the shareholders of the parent company					
	Share capital	Presentation currency translation reserve	Accumulated loss	Total	Non-controlling interest	Total equity
1 January 2019	**572,394**	**2,071**	**(504,672)**	**69,793**	**366**	**70,159**
Loss for the year	-	-	(31,559)	(31,559)	(1)	(31,560)
Other comprehensive income	-	145	-	145	-	145
Total comprehensive income (expenses)	-	145	(31,559)	(31,414)	(1)	(31,415)
31 December 2019	**572,394**	**2,216**	**(536,231)**	**38,379**	**365**	**38,744**
Loss for the year	-	-	(13,351)	(13,351)	(15)	(13,366)
Other comprehensive income	-	18	-	18	-	18
Total comprehensive income (expenses)	-	18	(13,351)	(13,333)	(15)	(13,348)
31 December 2020	**572,394**	**2,234**	**(549,582)**	**25,046**	**350**	**25,396**

General Director

D.V. Sokolovsky

Deputy General Director for Economy and Finance

T.V. Krapivnitskaya

Consolidated Statement of Cash Flows

(in thousands of Belarusian roubles)

Cash flows from operating activities	**Notes**	**2020**	**2019**
Loss for the year		**(13,366)**	**(31,560)**
Adjustments for:			
Depreciation	7	15,130	15,986
Amortisation	22	176	246
Profit/ Loss from disposal of property, plant and equipment	23,24	270	(86)
Creation (recovery) of provision for impairment of receivables	23,24	(9)	8
Loss from sale and writing-off of materials	24	39	716
Impairment (recovery) of other current assets	23,24	(204)	(88)
Share in profit of associates	9	(126)	(239)
Net finance expenses	25	73,722	26,465
Income tax expenses	26	1,411	1,342
Changes in:			
- Inventories		(5,816)	(5,422)
- Trade receivables		(17,271)	5,397
- Prepayments and other current assets		(5,042)	7,242
- Trade and other payables		(10,900)	(14,170)
- Other liabilities		2,872	(639)
- Provisions and accruals		(1,161)	1,568
Net cash flows from operating activities before income taxes and interest paid		**39,725**	**6,766**
Income tax paid		(1,301)	(1,384)
Interest paid		(28,740)	(28,970)
Net cash flows from operating activities		**9,684**	**(23,588)**
Cash flows from investing activities			
Interest received		475	340
Proceeds from sales of property, plant and equipment		549	103
Dividends from associate		150	136
Acquisition of property, plant and equipment		(4,335)	(3,279)
Acquisition of intangible assets		(334)	(122)
Net cash flows used in investing activities		**(3,495)**	**(2,822)**
Cash flows from financing activities			
Proceeds from borrowings		392,589	368,882
Repayment of borrowings		(390,887)	(351,289)
Net cash flows from financing activities		**1,702**	**17,593**
Net increase in cash and cash equivalents		**7,891**	**(8,817)**

(in thousands of Belarusian roubles)

Cash and cash equivalents as at the beginning of the year	14	13,967	22,109
Presentation currency translation reserve		32	(7)
Effect of exchange rate changes on cash		288	682
Cash and cash equivalents as at the end of the reporting period	**14**	**22,178**	**13,967**
Net increase in cash and cash equivalents		**7,891**	**(8,817)**

General Director

D.V. Sokolovsky

Deputy General Director for Economy and Finance
T.V. Krapivnitskaya

The accompanying notes on pages 13-49 form the integral part of these consolidated financial statements

(in thousands of Belarusian roubles)

1. General information

ATLANT Closed Joint Stock Company (hereinafter - the Company) is a legal entity established in 1993 in the process of denationalisation and privatisation. The Company is registered in accordance with the law of the Republic of Belarus in the Unified State Register of legal entities and entrepreneurs by No. 100010198. The new edition of the Charter was registered by Decision of the Minsk City Executive Committee dated 21 April 2011.

The Company's legal address is: 61 Pobeditelei Avenue, Minsk, 220035, Republic of Belarus.

ATLANT CJSC is the parent company of the following subsidiaries (hereinafter — the Group):

	Voting share, %			
Company's name	**31 December 2020**	**31 December 2019**	***Country of incorporation***	***Type of activities***
Subsidiaries				
Belhol LLC»	95.760%	95.760%	Republic of Belarus	Production of components for household appliances
Shapchitsy-Agro LLC	99.998%	99.998%	Republic of Belarus	Agricultural activities
Atlant-Service LLC	100.00%	100.00%	Republic of Poland	Services

In addition, the Company has significant impact of the following associates (accounted in accordance with the equity method):

	Voting share, %			
Company's name	**31 December 2020**	**31 December 2020**	***Country of incorporation***	***Type of activities***
Associates				
Elektroapparatura OJSC	24.779%	24.779%	Republic of Belarus	Household appliances manufacture
Atlant-Ukraine CJSC	40.000%	40.000%	Ukraine	Services

The countries of the Group's operation are the Republic of Belarus, the Russian Federation, the Republic of Poland and Ukraine.

The Group's main activities are the production of household appliances (refrigerators, washing machines), products of the machine tool industry and components for the household appliances production. The Group has an extensive system of distribution units in the territory of Belarus. The Group also sells its products in the Russian Federation, Ukraine, Moldova, Kazakhstan, Central Asia and Western Europe.

As at 31 December 2020 the shareholders of the Company were::

- State Committee for Property of the Republic of Belarus (republican property) — 2,788,180 shares (percentage in share capital – 62.177%);
- BelVEB OJSC– 14,829 shares (percentage in share capital – 0.331%);

- ASB Belarusbank OJSC – 10,000 shares (percentage in share capital – 0.223%);
- Individuals – 1,671,236 shares (percentage in share capital – 37.269%);

As at 31 December 2019 and 2018 the Company’s largest shareholder was the Republic of Belarus.

The average number of the Group’s employees as at 31 December 2020 was 6,726, as at 31 December 2019 was 6,935

2. Basis of presentation of financial statements

Accounting basis

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (hereinafter - "IFRS"), issued by the International Accounting Standards Board (hereinafter – "IASB"). These consolidated financial statements were authorised for issue on 11 June 2021 and signed on behalf of the Management by the General Director and the Deputy General Director for Economy and Finance.

For more detailed information on the accounting policies of the Group please refer to Note 5.

Going concern

The Group incurred net loss in the amount of BYN 13,366 thousand for 2020 (2019: loss in the amount BYN 31,560 thousand) and its current liabilities exceeded its current assets by BYN 191 488 thousand as at 31 December 2020 (2019: BYN 185,637 thousand). The Group intends to finance liquidity gap via loans from credit institutions.

These conditions indicate significant uncertainty that can cast doubt on the Group's ability to continue as a going concern and, therefore, the Group may be unable perform its obligations in the normal course of business. However, the consolidated financial statements have been prepared on a going concern basis for the following reasons.

The key factors among those resulted in the failure to comply with the performance targets and incurrence of losses by the company are presented below:

- Fluctuations of exchange rate of EUR/USD both to BYN and RUB due to a high share of imports from non-CIS countries. Total amount of losses incurred on foreign exchange rates is BYN 46,297 thousand;
- Price competition aggravation;
- Pandemic caused by COVID-19

In the current situation, ATLANT CJSC is actively working on stabilisation of the financial position and the solvency of the Group:

1. Events on reduction of all types of costs are being developed and implemented.
2. The work on reduction of production costs through modernisation and reconstruction in accordance with the approved plan of increasing the efficiency of production of ATLANT CJSC is constantly carried out.
3. The number of employees is being optimised. For 2020 the number of the employees decreased by 3% from 6,935 to 6,726. It is planned to reduce the number of employees by 5.3% to 6,372 by the end of 2021.
4. Effective work with banks to reduce interest rates, increase the terms of crediting, use forms of trade financing, attract additional borrowing to cover the liquidity deficit was carried out. In 2020, the Group did not have any facts of overdue principal debt, there were no extended principal debt and interest on previously issued and outstanding loans, so the Group enjoys a good reputation and has no problems with attracting additional financing.
5. Negotiations are carried out with suppliers of materials and components to increase the payment terms.

In the whole the Group improved its financial performance compared to 2019:

- net loss for 2020 decreased by BYN 18,194 thousand
- net profit from operating activities amounted to BYN 61,641 thousand, while in 2019 there was a loss of BYN 3,992 thousand;
- gross profit for 2020 was 17.28% of revenue (in 2019 gross profit was 7.26% of revenue).

In 2020 COVID-19 has become a global pandemic. The Group began implementing measures to combat the spread of coronavirus among its employees and developed a plan to mitigate the impact of these factors on its business as well as analyzed the following: the economic situation; demand for the Group's products; its supply chain; bank financing available to it and possible consequences for its cash flows and liquidity situation. The Management has considered events and conditions that may cast doubt on the Group's ability to continue as a going concern and has concluded that the range of possible scenarios does not cast significant doubt on the Group's ability to continue as a going concern in the foreseeable future.

In case of Group financial insolvency, the principal shareholder of the Company is ready to provide financial assistance.

3. Functional and presentation currency

The national currency of the Republic of Belarus is Belarusian Rouble, which is the functional currency of the Company and the presentation currency of these financial statements. As at the reporting date the assets and liabilities of the entities, which functional currency is different from the presentation currency of the Group, are retranslated to BYN at the exchange rate as of the reporting date and their income and expenses are retranslated at average annual rate. Foreign exchange differences arising at such retranslation are recorded in other comprehensive income.

All financial information in Belarusian roubles has been rounded to the nearest thousand (“BYN thousand”), unless otherwise stated.

4. Use of judgements and estimates

The preparation of financial statements in conformity with IFRS requires the Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognised in the period when the estimates are revised and in any future periods affected. The accompanying financial statements show the Management's assessment made with due regard to potential impact of the Belarus and global business environment on the operations and the financial position of the Group. However, future developments in the business environment may differ from the Management's assessment.

In particular, the main judgements and estimates made by the Management in these consolidated financial statements include:

Going concern

As at 31 December 2020 current liabilities of the Group exceeded its current assets. The Group obtained net loss on its operations for the year. Nevertheless, as it is stated in the section Going concern of Note 2 these consolidated financial statements were prepared on the going concern basis, which implies that the Group will sell its assets and repay current and future obligations in the course of its ordinary activities.

Provision for trade receivables

The Group applied simplified approach envisaged by IFRS 9 towards trade receivables and calculated expected credit loss for the whole period. The Group used valuation reserves matrix based on the previous experience of credit losses adjusted to forecast factors peculiar to borrowers and general economic conditions.

Recoverability of deferred tax asset

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

Useful lives of property, plant and equipment

The Group assesses the remaining useful lives of property, plant and equipment at least at each financial year end. If expectations differ from previous estimates, the changes are accounted for as a change in accounting estimates. These estimates may have a material impact on the amount of the carrying amounts of property, plant and equipment and on depreciation recognised in the profit or loss.

Impairment of property, plant and equipment

The Group estimates impairment by assessing whether factors affecting the cost of property, plant and equipment exist, e.g. adverse trends in adverse economy, decrease in sale. If the impairment factors exist the Group assesses separate items of property, plant and equipment for impairment. If such impairment exists, the Group shall account impairment expenses.

Measurement of fair values

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(in thousands of Belarusian roubles)

Amortised cost of loans received at a floating interest rate is equal to their fair value. The fair value of loans is based on the calculation of discounted cash flows using interest rates for financial instruments with similar credit risk and maturity. In the Group Management opinion, the amortised cost of loans as at 31 December 2020 and 2019 does not differ significantly from their fair value.

5. Significant accounting policies

The significant accounting policies described below are applied consistently to all periods presented in these consolidated financial statements.

a) Foreign currency

Each foreign currency transaction is recorded in the functional currencies of the Group Companies at the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the rates prevailing on the reporting date.

Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are restated into the functional currency at the exchange rate at the date of fair value determination. Non-monetary items measured at initial cost in foreign currency are restated at the date of corresponding transaction.

Exchange rate differences arising in restatement are recognised in profit or loss for the period, except for differences arising on the restatement of equity instruments classified as financial assets available-for-sale and are recognised in other comprehensive income.

The official exchange rates of the main currencies used for the purpose of translating the transactions and balances denominated in foreign currencies to the functional currency of the subsidiary set by the National Bank of the Republic of Belarus ("NBRB") as at 31 December 2020 and 2019 were as follows:

	31 December 2020	Average rate for 2020	31 December 2019	Average rate for 2019
USD/BYN	2,5789	2,4390	2,1036	2,0914
100 RUB/BYN	3,4871	3,3803	3,4043	3,2327
EUR/BYN	3,1680	2,7873	2,3524	2,3423
100 UAH/BYN	9,1236	9,0403	8,8759	8,1142
10 CNY/BYN	3,9515	3,5390	3,0109	3,0298

b) Basis of consolidation

i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus

- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired less liabilities assumed.

When the difference is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss for the period.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

ii) Subsidiaries

Subsidiaries are entities controlled by the Group. Control is achieved when the Group is exposed to or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses attributable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a debit balance (deficit).

iii) Loss of control

Upon the loss of control over the subsidiary, the Group derecognises its assets and liabilities, non-controlling interests related to it and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss for the period. If the Group retains any interest in a former subsidiary, then such interest is measured at fair value at the date when control is lost. Subsequently it is accounted for as an equity-accounted investee (using equity method) or as an available-for-sale financial asset depending on the level of influence retained.

iv) Non-controlling interest

Non-controlling interests are measured as their proportionate share of the acquiree's identifiable net assets at the acquisition date. Subsequently it changes due to the share of the financial result attributable to the non-controlling interest.

Changes in the Group's interest in the subsidiary that do not result in loss of control are accounted for as equity transactions.

v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated due to decrease of cost of investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

vi) Interest in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates.

Associates are those entities where the Group has significant influence over the financial and operating policies. At the same time the Group does not exercise control or joint control over financial and operational policies of such entities. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Interests in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to zero, and the recognition of further losses is discontinued, except to the extent that the Group has undertaken the obligation to cover the losses of this investee or has made payments on behalf thereof.

c) Property, plant and equipment

Items of property, plant and equipment are recognised at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

In case significant components that make up an item of property, plant and equipment have different useful lives, they shall be accounted for as separate items (significant components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with its carrying amount and is recognised net in line “other operating income” or “other operating expenses” in profit or loss for the period.

Subsequent expenses

Subsequent expenses increase the cost of an item of property, plant and equipment only if is probable that additional economic benefits associated with the expenses will flow to the Group

The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Items of property, plant and equipment are depreciated from the date that they are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its estimated residual value.

Each item of property, plant and equipment is generally depreciated on a straight-line basis over the estimated useful lives, since this most closely presents the expected pattern of consumption of the future economic benefits embodied in the asset. Depreciation is recognised in profit or loss for the period. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of property, plant and equipment for the current and comparative periods are as follows:

Property, plant and equipment	*Years*
Buildings and constructions	10-120
Machines and production equipment	5-52
Computers	5-25
Vehicles	5-15
Other property, plant and equipment	5-75

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if necessary.

d) Intangible assets

Intangible assets include software. Intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the profit or loss as incurred.

Intangible assets with a definite useful life are amortised during the useful life of 3 to 5 years and are evaluated for impairment when there is an evidence of possible impairment of intangible assets.

e) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

f) Financial instruments

The Group recognises assets and liabilities in its consolidated statement of financial position when the Group companies become a party to a contractual obligation of the relevant financial instrument. Regular way purchases and sales of financial assets and liabilities are recognised using settlement date accounting.

The Group has not hedged its currency risks or the risks of changes in interest rates. The Group's Management will analyse in detail the characteristics of contractual cash flows on financial instruments before making a conclusion whether all the instruments meet the criteria for valuation at amortised cost under IFRS 9 "Financial Instruments".

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss. The accounting policies for subsequent re-measurement of these financial assets and liabilities are disclosed in the respective accounting policies set out below.

Financial assets

On initial recognition financial assets are classified on the following categories:

- financial assets measured at fair value through profit or loss,
- financial assets measured at fair value through other comprehensive income,
- financial assets measured at amortised cost.

The Group classifies financial assets on the basis of the Group's business model used for managing the financial assets, as well as the contractual cash flow characteristics of the financial assets.

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

Fair value is the price that would be received at sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Subsequent to initial recognition, the fair value of financial assets at fair value that are quoted in an active market is defined as bid prices for assets and ask prices for issued liabilities as at the measurement date.

If no active market exists for financial assets, the Group measures the fair value using the following methods:

- analysis of recent transactions with peer instruments have been carried out recently between independent parties;
- current fair value of similar financial instruments;
- discounting future cash flows.

A financial asset shall be measured at amortised cost if both of the following conditions are met:

(a) the financial asset is held within a business model which objective is to hold financial assets in order to collect contractual cash flows; and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that may fall into this category are trade and other receivables, borrowings.

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

(a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Impairment of financial assets

The Group applies the model of “expected credit losses” to financial assets measured at amortized cost and at fair value through other comprehensive income, except investments in equity instruments and contract assets.

If as at the reporting date, there is no significant increase in credit risk on the financial asset since initial recognition, the estimated provision for loss on the financial asset is estimated at the amount equal to 12-month expected credit losses.

The estimate of expected credit losses over the entire period are used for trade receivables and contract assets regardless availability of significant financing components.

Valuation provision for losses on financial assets that are measured at amortized cost is recognized in profit or loss for the period, decreasing the cost of a financial asset. Valuation provision for losses on financial assets that are measured at fair value through other comprehensive income does not decrease the carrying amount of the financial asset and is recognized in other comprehensive income.

The Group has applied simplified approach for contract assets, trade and other receivables provided for by the standard and has calculated expected credit losses for the entire period. The Group based on a provision matrix drawing on its past experience of credit losses adjusted for predictive factors specific for borrowers and general economic conditions.

The Group considers a financial asset as a default when payments under the contract are past due for more than 360 days. However, in certain cases the Group may conclude that a financial asset is at default when internal or external information indicates that it is very unlikely that the Group will receive all amounts due to it under the terms of the contract regardless of credit enhancement held by the Group. Application of IFRS 9 requirements to the expected credit losses caused changes in the valuation provisions for impairment losses from the Group’s debt financial assets.

Financial liabilities

On initial recognition financial liabilities are classified into the following categories:

- financial liabilities accounted for at fair value with allocation of its changes to profit or loss;
- other financial liabilities. Other financial liabilities include, in particular, trade and other payables and loans and borrowings payable.

Subsequent to initial recognition, financial liabilities at fair value with allocation of changes to profit or loss are measured at fair value, with changes in fair value recognized in profit or loss in the statement of profit or loss. Other financial liabilities are carried at amortised cost.

Derecognition of financial assets and liabilities

Financial assets

A financial asset is derecognised when it has been transferred and the transfer qualifies for derecognition. A transfer requires that the Group either (a) transfers the contractual rights to receive the asset's cash flows; or (b) retains the right to receive the asset's cash flows but assumes a contractual obligation to pay those cash flows to a third party. After a transfer, the Group reassesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been retained, the asset remains in the statement of financial position. If substantially all of the risks and rewards have been transferred, the asset is derecognised. If substantially all the risks and rewards have been neither retained nor transferred, the Group assesses whether or not it has retained control of the asset. If the Group has lost control, the asset is derecognised. Where the Group retained control of the asset, it continues to recognise the asset to the extent of its continuing involvement.

Financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

g) Share capital

i) Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are recorded in equity as a decrease in the amount received as a result of this emission. Any excess of the fair value of consideration received over the par value of shares issued is presented in the notes as a share premium.

ii) Dividends

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before and including the reporting date. Dividends are disclosed in the financial statements if they were offered before the reporting date, and if they were offered or declared after the reporting date, but before the date of approval of the consolidated financial statements.

i) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the estimated future cash flows at a pre-tax rate that shows current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance expenses.

Warranties

A provision for warranties for products and services is recognised when the underlying products or services are sold. The Group has liabilities to the customers on warranty repair of sold goods for 3 years. Key factors in the calculation of the obligation on repair are average cost of repair (separately by categories of products) and historical statistics on repair costs in the last 3-5 years. Due to high material consumption of repair and significant foreign component in replaced components, warranty provision is exposed to significant fluctuations from long-term change in foreign exchange rate.

h) Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided by employees. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Defined pension liabilities

The Group makes payments in the amount of 6 basic units to retired employees who have worked more than 15 years before retirement on their dismissal due to retirement. Amounts on these liabilities are payable through cash provided by operating activities.

The discount rate on pension liabilities equalled to 9.6% as at 31 December 2020 (2019: 8.7%). Staff turnover in 2020 amounted to 13.90% (2019: 12.72%). The Management does not have intention to increase nominal payments under the pension plan and continue this plan after 2067.

j) Lease

IFRS 16 introduces a single model of lease contracts accounting by lessees, which assumes that they are reflected on the lessee’s balance sheet. Under this model, the lessee shall recognize a right-of-use asset, which is the right to use the underlying asset, and a lease liability, which is the obligation to make lease payments. There are optional simplifications for short-term rents and low-cost rents.

The accounting rules generally remain the same for lessors. They will continue to classify leases into finance and operating leases.

The Group, as a lessor, classifies each of its lease contracts as operating leases or finance leases. A lease is classified as a finance lease if it involves the transfer of substantially all the risks and benefits of ownership of the underlying asset. Leases are classified as operating leases if they does not involve the transfer of substantially all the risks and benefits of ownership of the underlying asset.

As at 31 December 2020 and 31 December 2019, the Group had no finance leases.

Where the Group is a lessor under a lease contract that does not transfer substantially all the risks and benefits of ownership to the lessee (i.e., in the case of operating leases), lease payments under operating leases are recognized in other income on a straight-line basis.

k) Revenue recognition

The standard *IFRS 15 Revenue from Contracts with Customers* outlines a single five-step model for revenue recognition:

- identification of the contract with a customer;
- identification of the performance obligations;
- determination of transaction price;
- allocation of the transaction price to the performance obligations;
- recognition of revenue, when (or as) the entity satisfies performance obligation.

Sales of goods

The revenue is recognised when (or as) the Group meets its obligation to be performed by transferring the promised good or service (asset) to a customer. An asset is transferred when (or as) a customer obtains control over such asset. As a rule, control passes to a customer at the moment of transfer of ownership, provided that the contract price is fixed, or it is possible to determine it, and the collection of receivables is real.

The Group provides its customers with a retrospective volume discount on all products purchased by a customer after the volume of products purchased during the period exceeds the threshold amount specified in an agreement and payment will be made in a timely manner. These discounts are offset against amounts payable by a customer on subsequent purchases or reduce an existing amount of receivables. According to IFRS 15 retrospective discounts lead to variable compensation. To assess variable compensation, the right on which the Group will receive, the Group applies the most probable value method. The decision to apply certain method that best predicts the amount of variable compensation was taken mainly due to the amounts of volume thresholds provided for in an agreement. The Group also applies the requirements to limit the valuation of variable compensation. As a result of the application of IFRS 15, the Group recognised contractual obligations in respect of expected future discounts.

Sales of services

Sales of services are recognised at the moment of provision of the services provided that the cost of services can be defined and there are no significant uncertainties regarding income receipt.

l) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from dividends.

ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, are considered, based on the business plans for individual subsidiaries in the Group and does not consider the impact of reversal of existing temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax shows the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets against tax liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In accordance with the tax legislation of the Republic of Belarus, tax losses and current tax assets of a company in the Group may not be set off against taxable profits and current tax liabilities of other Group companies.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. Based on the results of the assessment of a number of factors, as well as on the interpretation of the Belarusian tax legislation and the experience of previous years, the Group's Management believes that the tax liabilities for all tax periods for which the tax authorities have the right to review the completeness of settlements with the budget are fully reflected. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities. Such changes to tax liabilities will impact the tax expense in the period when such judgements have been changed.

m) Finance income and expenses

The Group's finance income and finance expenses include:

- interest income;
- interest expense;
- net foreign currency gain or loss on revaluation of financial assets and financial liabilities.

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

6. New standards and interpretations

Adoption of new and revised standards and interpretations

The revised standards stated below became mandatory for the Group from 1 January 2020, but did not have a significant impact on the Group:

- Amendments to the references to the “Conceptual Framework” in the IFRS standards (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).
- Amendments to IFRS 3 “Business Combinations” (issued on 22 October 2018 and effective for acquisitions made from the beginning of the annual reporting period beginning on or after 1 January 2020).
- Amendments to IAS 1 and IAS 8 “Definition of Material” (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).
- Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform” (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).

New standards and interpretations not yet effective

A number of new standards, amendments to standards and clarifications are effective for annual periods beginning after 1 January 2021, early application is permitted. While preparing these consolidated financial statements, the Group has not early applied new standards or amendments to standards.

The following amendments to the standards and clarifications are not expected to have a significant impact on the Group's consolidated financial statements:

- IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2021).
- Amendments to IAR 1 “Classification of Liabilities as Short-term or Long-term” (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).
- Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets in Transactions between an Investor and its Associate or Joint Venture (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- Classification of liabilities into short-term and long-term - postponement of effective date-Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023).

- Interest Rate Benchmark Reform (IBOR) - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Phase 2 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Determination of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 1 and Practice Statement 2: Accounting Policy Disclosures (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- Revenue received prior to the intended use of the Asset, Onerous Contracts – the cost of performing the Contract, Reference to the Conceptual Framework – amendments with limited scope to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRS 2018-2020 relating to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May effective for annual periods beginning on or after 1 January 2022).
- Amendments to IFRS 17 and amendments to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).

The Group assesses the impact of these standards on the consolidated financial statements as insignificant.

(in thousands of Belarusian roubles)

7. Property, plant and equipment

	Buildings and constructions	Machinery and equipment	Computing	Vehicles	Other property, plant and equipment	Construction in progress and equipment not installed	Prepayments	Total
Initial cost:								
As at 1 January 2019	**230,054**	**326,054**	**10,621**	**7,225**	**43,945**	**1,214**	**16**	**619,129**
Acquisition	282	2,119	634	59	245	465	-	3,804
Transfer	150	458	-	-	173	(765)	(16)	-
Disposal	(189)	(3,175)	(599)	(79)	(274)	-	-	(4,316)
As at 31 December 2019	**230,297**	**325,456**	**10,656**	**7,205**	**44,089**	**914**	**-**	**618,617**
Acquisition	239	1,811	708	-	440	634	2,184	6,016
Transfer	3	250	-	-	-	(253)	-	-
Disposal	(276)	(643)	(350)	(222)	(92)	(649)	-	(2,232)
As at 31 December 2020	**230,263**	**326,874**	**11,014**	**6,983**	**44,437**	**646**	**2,184**	**622,401**
Accumulated depreciation:								
As at 1 January 2019	**(56,487)**	**(264,734)**	**(7,907)**	**(5,972)**	**(37,602)**	**-**	**-**	**(372,702)**
Accrual for the year	(2,957)	(10,936)	(680)	(363)	(1,050)	-	-	(15,986)
Disposal	175	3,174	599	79	272	-	-	4,299
As at 31 December 2019	**(59,269)**	**(272,496)**	**(7,988)**	**(6,256)**	**(38,380)**	**-**	**-**	**(384,389)**
Accrual for the year	(2,957)	(10,192)	(650)	(285)	(1,046)	-	-	(15,130)
Disposal	107	642	350	222	92	-	-	1,413
As at 31 December 2020	**(62,119)**	**(282,046)**	**(8,288)**	**(6,319)**	**(39,334)**	**-**	**-**	**(398,106)**
Net carrying amount:								
As at 1 January 2019	**173,567**	**61,320**	**2,714**	**1,253**	**6,343**	**1,214**	**16**	**246,427**
As at 31 December 2019	**171,028**	**52,960**	**2,668**	**949**	**5,709**	**914**	**-**	**234,228**
As at 31 December 2020	**168,144**	**44,828**	**2,726**	**664**	**5,103**	**646**	**2,184**	**224,295**

As at 31 December 2020, items of property, plant and equipment in the amount of BYN 174,846 thousand (2019: BYN 193,345 thousand) were pledged as collateral under received loans (Note 15.)

As at 31 December 2020 the initial cost of property, plant and equipment fully depreciated but used in operation amounted to BYN 187,908 thousand (2019: BYN 164,414 thousand).

(in thousands of Belarusian roubles)

Depreciation charged for the 2020 and 2019 is represented below broken down by items:

	Прим	2020	2019
Cost of sales	20	14,430	15,329
Distribution expenses	21	26	26
Administrative expenses	22	111	108
Other operating expenses	24	563	523
Total depreciation accrued		**15,130**	**15,986**

8. Intangible assets

Movement in intangible assets was as follows:

	Software
Initial cost:	
As at 1 January 2019	**2,223**
Acquisition	122
As at 31 December 2019	**2,345**
Acquisition	334
As at 31 December 2020	**2,679**
Accumulated amortization	
As at 1 January 2019	**(1,772)**
Accrual for the year	(246)
As at 31 December 2019	**(2,018)**
Accrual for the year	(176)
As at 31 December 2020	**(2,194)**
Net carrying amount:	
As at 1 January 2019	**451**
As at 31 December 2019	**327**
As at 31 December 2020	**485**

Amortisation accrued for the year is accounted for in the administrative expenses (Note 22).

(in thousands of Belarusian roubles)

9. Investments in associates

The Group holds 24.779% of interest in the company Elektroapparatura OJSC (Gomel), which produces household appliances.

The Group holds 40% of interest in the company Atlant-Ukraine CJSC, the main type of activity is rendering of maintenance and dealer services.

	31 December 2020			31 December 2019		
	Atlant-Ukraine CJSC	Elektro-apparatura OJSC	Total	Atlant-Ukraine CJSC	Elektro-apparatura OJSC	Total
Share of the Group in net assets of associate:						
Non-current assets	128	1,524	**1,652**	113	1,538	**1,651**
Current assets	2,947	2,082	**5,029**	2,830	2,008	**4,838**
Short-term liabilities	(1,745)	(956)	**(2,701)**	(1,614)	(857)	**(2,471)**
Net assets	**1,330**	**2,650**	**3,980**	**1,329**	**2,689**	**4,018**
Share of Group in profit of associate:						
In profit and other comprehensive income	164	(38)	**126**	261	(22)	**239**
Dividends	(149)	(1)	**(150)**	(125)	(11)	**(136)**
Effect from recalculation in presentation currency	(14)	-	**(14)**	152	-	**152**
Profit (loss) in associate	**1**	**(39)**	**(38)**	**288**	**(33)**	**255**

10. Inventories

	31 December 2020	31 December 2019
Raw materials and other materials	64,349	56,860
Finished goods	8,655	15,185
Work in progress	15,845	11,047
Goods	2,202	2,182
Total inventories	**91,051**	**85,274**

Raw materials, consumables as well as movement in inventories of finished goods and work in progress recognised in cost of sales amounted to BYN 346,435 thousand in 2020 (2019: BYN 311,105 thousand).

11. Trade receivables

	31 December 2020	31 December 2019
Trade receivables	110,424	86,446
Trade receivables of related parties	4,455	3,865
Provision for impairment for doubtful debt	(1,803)	(1,812)
Total trade receivables	**113,076**	**88,499**

(in thousands of Belarusian roubles)

The analysis of life cycle of past-due but not impaired trade and other receivables by the days of overdue as at the reporting date is presented below:

	31 December 2020	31 December 2019
Not past-due and not impaired	113,076	88,492
Past-due for 0-90 days	-	7
Total	**113,076**	**88,499**

Based on the payment history and the results of the detailed analysis of the credit risk of the customers including the analysis of the respective credit ratings of the counterparties, if available, the Management believes that not impaired amounts with the payment overdue for more than 30 days can be fully received.

Receivables in accordance with terms of incurrence is presented as follows:

31 December 2020	Total	Up to 3 months	3-6 months	6 months up to 1 year	1 year up to 2 years	More than 2 years
Receivables before creation of provision	114,879	105,739	6,912	395	242	1,591
Provision for impairment for doubtful debt	(1,803)	(2)	(198)	(6)	(6)	(1,591)
Receivables	**113,076**	**105,737**	**6,714**	**389**	**236**	**-**

31 December 2020	Total	Up to 3 months	3-6 months	6 months up to 1 year	1 year up to 2 years	More than 2 years
Receivables before creation of provision	90,311	80,370	7,661	647	6	1,627
Provision for impairment for doubtful debt	(1,812)	(17)	(93)	(77)	(3)	(1,622)
Receivables	**88,499**	**80,353**	**7,568**	**570**	**3**	**5**

Movement in provision for impairment for 2020 and 2019 is presented below:

As at 1 January 2019	**5,569**
Accrual (Note 24)	8
Usage	(3,765)
As at 31 December 2019	**1,812**
Accrual (Note 23)	(9)
Usage	-
As at 31 December 2020	**1,803**

(in thousands of Belarusian roubles)

12. Other prepayments and current assets

	31 December 2020	31 December 2019
Taxes prepaid other than income tax	10,365	5,941
Prepayments for raw materials and other materials	2,635	1,754
Prepayments for services	848	639
Claim settlements	30	83
Other	242	253
Total other current assets	**14,120**	**8,670**

Movement in provision for impairment of other current assets for 2020 and 2019 is presented below:

As at 1 January 2019	**761**
Accrual (Note 23)	(88)
As at 31 December 2019	**673**
Accrual (Note 23)	(204)
As at 31 December 2020	**469**

13. Cash and cash equivalents

	31 December 2020	31 December 2019
Cash at current bank accounts	2,036	2,074
Deposits up to 3 months	20,142	11,893
Total cash and cash equivalents	**22,178**	**13,967**

14. Equity and reserves

The holders of ordinary shares are entitled to receive dividends and to one vote per share at the general shareholders' meeting and are entitled to residual assets on liquidation. Dividends are approved by shareholders. The amount of distributable profit is calculated based on the profit stated in the accounting statements prepared in accordance with the Belarusian Reporting Standards. Shareholders of the Group have the pre-emptive right to acquire shares of ATLANT CJSC from other shareholders. According to the Decree of the President of the Republic of Belarus No. 3 dated 20 March 1998 “On denationalisation and privatisation of the state property in the Republic of Belarus” (as amended in force till 11 March 2011), until 31 December 2010 the Group's shares could not be the subject of transactions. The Company issued 4,484,245 shares with par value of BYN 20 per each share. Hyperinflation effect in the equity amounted to BYN 482,709 thousand.

As at 31 December 2020 the parent company remained unchanged capital reserves of BYN 3,027 thousand (2019: BYN 3,027 thousand) out of the retained earnings, calculated in accordance with the legislation of the Republic of Belarus, for the purposes of potential termination benefits to employees. These reserves may only be used for the benefit of employees in the event of the bankruptcy of the company and are recorded only in the financial statements, prepared in accordance with the Belarusian Reporting Standards.

Foreign currency translation reserve

Foreign currency translation reserve includes all foreign exchange differences arising from recalculation of financial statements of foreign companies into presentation currency.

Notes to the Consolidated Financial Statements
(in thousands of Belarusian roubles)

15. Loans and borrowings

		Carrying amount		
		31 December 2020	31 December 2019	Maturity date
Loans and borrowings (10-12,0%)	BYN	-	59,525	2020
Loans and borrowings (0-10%)	BYN	45,989	3,301	2020-23
Loans and borrowings (3.5-8.5%)	USD	61,483	37,191	2021-23
Loans and borrowings (1.7-4.0%)	EUR	22,805	20,225	2021
Loans and borrowings (5.3-9.0%)	EUR	29,121	40,118	2020-23
Loans and borrowings (7.03%)	CNY	237	904	2021
Loans and borrowings (5.12-9.1%)	RUB	41,213	-	2021
Loans and borrowings (10-13.0%)	RUB	59,985	76,698	2020-23
Net financial instruments with a fixed interest rate		**260,833**	**237,962**	
Loans and borrowings Euribor12m+(1.8%-1.90%)	EUR	489	640	2020-21
Loans and borrowings Euribor3m+(5.50%-7,.20%)	EUR	29,562	9,260	2020-23
Loans and borrowings Euribor6m+(1.75%-3.05%)	EUR	7,294	596	2020-21
Loans and borrowings Euribor+(1.45%-1.90%)	EUR	1,893	5,286	2020-21
Loans and borrowings Euribor+(2.20%-2.90%)	EUR	1,798	15,842	2020-21
Loans and borrowings Euribor+(3.35%-4.00%)	EUR	6,917	2,038	2020-21
Loans and borrowings Euribor+(4.10%-4.60%)	EUR	1,333	-	2021
Loans and borrowings Rate of the Central bank of the Russian Federation +(1.4%-2.1%)	RUB	-	32,069	2020
Loans and borrowings Rate of the Central bank of the Russian Federation + (4.2%-4.5%)	RUB	-	4,997	2020
Loans and borrowings rate COF 4.85%+2.85%	RUB	1,126	-	2021
Loans and borrowings Internal funding rate of Commerzbank+(2.95%-3.6%)	RUB	1,758	-	2021
Loans and borrowings the Bank of Russia key rate +(1.6%-4.3%)	RUB	5,052	-	2021
Loans and borrowings Refinancing rate of the National Bank of the Republic of Belarus +(3.75%-4.01%)	BYN	36,384	-	2022-23
Net financial instruments with a floating interest rate		**93,606**	**70,728**	
Total loans and borrowings		**354,439**	**308,690**	

Effective interest rate on loans corresponds to contractual interest rate.

As at 31 December 2020 property, plant and equipment in the amount of BYN 174,846 thousand (2019: BYN 193,345 thousand) (Note 7), inventories in the amount of BYN 19,499 thousand (2019: BYN 32,151 thousand) (Note 10) and trade receivables in the amount of BYN 118,672 thousand (2019: BYN 44,685 thousand) (Note 11) were pledged against loans received.

(in thousands of Belarusian roubles)

Changes in liabilities and cash flows from financing activities are presented below:

	Notes	Liabilities Loans and borrowings
Balance as at 1 January 2019		**285,877**
Changes due to cash flows from financing activities		
Proceeds from borrowings		368,882
Repayment of borrowings		(351,289)
Total changes due to cash flows from financing activities		**17,593**
Effect of changes in exchange rates		**5,239**
Interest expenses	25	28,951
Interest paid		(28,970)
Total other changes related to liabilities		**(19)**
Balance as at 31 December 2019		**308,690**
Changes due to cash flows from financing activities		
Proceeds from borrowings		392,589
Repayment of borrowings		(390,887)
Total changes due to cash flows from financing activities		**1,702**
Effect of changes in exchange rates		**44,495**
Interest expenses	25	28,292
Interest paid		(28,740)
Total other changes related to liabilities		**(448)**
Balance as at 31 December 2020		**354,439**

16. Trade payables

	31 December 2020	31 December 2019
Trade payables for raw materials	55,220	56,667
Trade payables for services	2,420	2,453
Trade payables for equipment	1,681	525
Total trade payables	**59,321**	**59,645**

(in thousands of Belarusian roubles)

17. Provisions

	31 December 2020	31 December 2019
Short-term provisions:		
Provision for warranty repair	7,125	7,528
Pension liabilities	38	30
Total short-term provisions	**7,163**	**7,558**
Long-term provisions:		
Provision for warranty repair	6,792	7,566
Pension liabilities	115	107
Total long-term provisions	**6,907**	**7,673**
Total provisions and liabilities	**14,070**	**15,231**

In addition to the mandatory payments made to the State Social Fund of the Republic of Belarus the Group makes payments amounting to 6 basic units to retired employees who had worked fifteen years and more until retirement. From 1 January 2017 the retirement age in Belarus will be annually increased by 6 months up to the age of 63 for men and the age of 58 for women.

The discount rate on pension liabilities equalled to 9.6% as at 31 December 2020 (2019: 8.7%). Staff turnover in 2020 amounted to 13.90% (2019: 12.72%). The Management does not have intention to increase nominal payments under the pension plan and continue this plan after 2067.

The Group has liabilities to the customers on warranty repair of sold goods for 3 years. Key factors in the calculation of the obligation on repair are average cost of repair (separately by categories of products) and historical statistics on repair costs in the last 3-5 years. Due to high material consumption of repair and significant foreign component in replaced components, warranty provision is exposed to significant fluctuations from long-term change in foreign exchange rate.

Movement in provisions and obligations is presented as follows:

	Provision for warranty repair	Provision for pension payments	Total
Balance as at 31 December 2018	**13,525**	**138**	**13,663**
Provision accrual	7,992	14	8,006
Usage of provision	(6,423)	(15)	(6,438)
Balance as at 31 December 2019	**15,094**	**137**	**15,231**
Provision accrual	4,571	36	4,607
Usage of provision	(5,748)	(20)	(5,768)
Balance as at 31 December 2020	**13,917**	**153**	**14,070**

Charge and recovery of warranty repair provision is included in the cost of sales (Note 20). Creation and recovery of provision for pension payments is recorded in the cost of sales, distribution costs, administrative expenses in payroll expenses.

(in thousands of Belarusian roubles)

18. Other liabilities

	31 December 2020	31 December 2019
Salary and related taxes	8,664	6,931
Prepayments received from customers	2,824	1,851
Other taxes payable except for income tax	1,566	1,145
Payables to shareholders on dividends	15	38
Other	312	232
Total other liabilities	**13,381**	**10,197**

19. Revenue

	2020	2019
Sale of refrigerators	455,141	372,741
Sale of washing machines	75,291	57,608
Sale of products of the machine tool industry	55,989	49,796
Other	8,193	9,194
Total revenue	**594,614**	**489,339**

The Group sold in:

	2020	2019
CIS countries	389,972	304,243
Republic of Belarus	114,972	105,844
Organization for Economic Cooperation Development countries	29,436	19,431
Other countries	60,234	59,821
Total revenue	**594,614**	**489,339**

20. Cost of sales

	2020	2019
Raw materials and materials	346,435	311,105
Salary and related taxes	92,129	87,471
Fuel and energy resources	26,326	23,390
Depreciation	14,430	15,329
Expenses on warranty repairs	4,571	7,992
Services on maintenance and operation of buildings, equipment and vehicles	5,444	5,658
Other expenses	2,512	2,866
Total cost of sales	**491,847**	**453,811**

Notes to the Consolidated Financial Statements
(in thousands of Belarusian roubles)

21. Distribution expenses

	2020	2019
Advertisement	10,657	10,331
Salary and related taxes	4,530	4,267
Transportation expenses	1,331	979
Raw materials and materials	197	294
Depreciation	26	26
Other expenses	876	1,274
Total distribution expenses	**17,617**	**17,171**

22. Administrative expenses

	2020	2019
Other taxes (except for income tax and non-recoverable VAT)	7,761	9,222
Salary and related taxes	6,300	5,590
Bank services	2,487	2,360
Office supplies	723	639
Amortisation	176	246
Depreciation	111	108
Other expenses	874	584
Total administrative expenses	**18,432**	**18,749**

23. Other operating income

	2020	2019
Property rent income	1,550	1,227
Income from sale and disposal of property, plant and equipment	-	86
Income from recovery of provision on doubtful receivables (Note 11)	9	-
Income from recovery of other current assets	204	88
Other	147	132
Total other operating income	**1,910**	**1,533**

24. Other operating expenses

	2020	2019
Charity and other social expenses	4,762	3,713
Loss from sale and write-off of materials	39	716
Depreciation	563	523
Loss from sale and disposal of property, plant and equipment	270	-
Impairment of other current assets	-	8
Expenses on creation of provision on doubtful receivables (Note 11)	1,353	167
Other	**6,987**	**5,133**

(in thousands of Belarusian roubles)

25. Net finance expenses

	2020	2019
Foreign exchange differences	-	2,319
Interest income	475	340
Foreign currency operations	392	-
Finance income	**867**	**2,659**
Foreign exchange differences	46,297	-
Interest expenses	28,292	28,951
Foreign currency operations	-	173
Finance expenses	**74,589**	**29,124**
Net finance expenses recognised in profit or loss	**73,722**	**26,465**

26. Income tax

The Group provides current income tax based on tax accounting implemented according to the Belarusian tax legislation that may differ from the amounts calculated on the basis of IFRS. In the Republic of Belarus income tax rate makes up 18% for periods since 1 January 2019 to 31 December 2020.

The Group predicts current income tax on the basis of the tax accounting maintained in accordance with the Belarusian tax legislation, which may differ from the amounts calculated in accordance with IFRS. In the Republic of Belarus the cumulative income tax rate is 18% for the period from 1 January 2019 to 31 December 2020.

Deferred tax shows the net tax effect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the amounts calculated for the purposes of tax accounting. Temporary differences as at 31 December 2020 and 31 December 2019 are related mainly to different methods of income and expenses accounting, as well as to the book value of certain assets.

Income tax expenses comprise the following items:

	2020	2019
Income tax expenses — current	(1,328)	(1,233)
Change on deferred income tax due to arising or decrease of temporary differences	(83)	(109)
Expenses (income) on income tax recognised in consolidated statement of comprehensive income	**(1,411)**	**(1,342)**

(in thousands of Belarusian roubles)

Effective income tax rate differs from official rate. Calculation to align the income tax expense calculated at the official rates with the actual income tax expense is presented below:

	2020	2019
Profit (loss) before taxation	**(11,955)**	**(30,218)**
Income tax rate in accordance with legislation	18%	18%
Theoretical charge of income tax set out by legislation	**2,152**	**5,439**
Tax exempt income	12	59
Non-deductible expenses	(496)	(309)
Effect of previously not recognised tax losses, effect of changes in temporary differences	(7,367)	(5,783)
Change in not recognised tax assets	4,288	(748)
Expenses (income) on income tax	**(1,411)**	**(1,342)**

	31 December 2020	31 December 2019
Deferred tax asset (liability) as at the beginning of the year, net	(2,561)	(2,452)
Recognition in profit or loss	(83)	(109)
Deferred tax asset (liability) as at the end of the year, net	**(2,644)**	**(2,561)**

Movement in deferred taxes for the year ended 31 December 2020 is presented as follows:

	1 January 2020	Statement of profit or loss and other comprehensive income for 2020	31 December 2020
Property, plant and equipment	(3,547)	(30)	(3,577)
Intangible assets	2	85	87
Inventories	494	(118)	376
Trade and other receivables	141	237	378
Other liabilities	115	(1)	114
Other current assets	199	(23)	176
Provisions and accrual	137	(19)	118
Trade and other payables	(102)	(214)	(316)
Total	**(2,561)**	**(83)**	**(2,644)**

Movement in deferred taxes for the year ended 31 December 2019 is presented as follows:

	1 January 2019	Statement of profit or loss and other comprehensive income for 2019	31 December 2019
	(3,471)	(76)	(3,547)
Property, plant and equipment	4	(2)	2
Intangible assets	471	23	494
Inventories	163	(22)	141
Trade and other receivables	92	23	115
Other liabilities	190	9	199
Other current assets	124	13	137
Provisions and accrual	(25)	(77)	(102)
Trade and other payables	**(2,452)**	**(109)**	**(2,561)**

Offset of deferred tax assets and liabilities of the companies is not performed in the consolidated statement of financial position.

(in thousands of Belarusian roubles)

As at 31 December 2020 deferred tax assets and liabilities were as follows:

	Assets	Not recognised asset	Liability	Net asset (liability)
Property, plant and equipment	22,869	(22,869)	(3,577)	(3,577)
Intangible assets	105	(18)	-	87
Inventories	1,045	(669)	-	376
Trade and other receivables	484	(106)	-	378
Other liabilities	546	(432)	-	114
Other current assets	6,128	(5,952)	-	176
Provisions and accrual	2,505	(2,387)	-	118
Trade and other payables	-	-	(316)	(316)
Total	**33,682**	**(32,433)**	**(3,893)**	**(2,644)**

As at 31 December 2019 deferred tax assets and liabilities were as follows:

	Assets	Not recognised asset	Liability	Net asset (liability)
Property, plant and equipment	33,039	(33,039)	(3,547)	(3,547)
Intangible assets	18	(16)	-	2
Inventories	1,160	(666)	-	494
Trade and other receivables	159	(18)	-	141
Other liabilities	469	(354)	-	115
Other current assets	247	(48)	-	199
Provisions and accrual	2,717	(2,580)	-	137
Trade and other payables	-	-	(102)	(102)
Total	**37,809**	**(36,721)**	**(3,649)**	**(2,561)**

Movement in not recognised deferred tax asset for the year ended 31 December 2020 is as follows:

	31 December 2020	31 December 2019
Not recognised deferred tax asset at the beginning of the year	(36,721)	(35,973)
Changes for the year	4,288	(748)
Not recognised deferred tax asset at the end of the year	**(32,433)**	**(36,721)**

27. Related parties transactions

Information on transactions and balances of the Group with related parties as at 31 December 2020 and 2019 is as follows:

Associates

	2020	2019
Sales of finished goods	22,785	15,868
Total	**22,785**	**15,868**

(in thousands of Belarusian roubles)

As at 31 December 2020 and 2019 receivables were the following:

	2020	2019
Trade receivables	4,455	3,865
Total	**4,455**	**3,865**

Key management personnel

The total amount of remuneration paid to the key management personnel was as follows:

	2020	2019
Salary and related taxes	944	869
Total	**944**	**869**

Transactions with Entities under common control of the state

As stated in Note 1 the largest shareholder of the Company is the Republic of Belarus and this ownership allows the State to control its operations. Additionally, the Group operates with a number of entities that are either controlled or jointly controlled by the Republic of Belarus. The Group applies the exemption provided in IAS 24 "Related party disclosures" that allows to provide reduced related party disclosures regarding transactions with government-related entities.

The key transactions of the Group with Entities under common control are transactions on purchases of raw materials, materials, energy sources, services, receipt of credit resources. All these transactions with state entities are performed on the market conditions. Procurement from domestic producers, including entities under state control, is about 25% of all purchases.

The Group gets borrowings from ASB Belarusbank JSC on the market conditions. The total amount of borrowed funds as of 31 December 2020 made up BYN 233,273 thousand (2019: BYN 165,778 thousand), which is about 65,8% (2019: 53.7%) of the total debt on loans and borrowingsю

28. Fair value of financial instruments

Fair value of financial instruments as at 31 December 2020 is as follows:

	31 December 2020 года	
	Carrying amount	Fair value (level 3)
Trade receivables	113,076	113,076
Cash and cash equivalents	22,178	22,178
Other financial assets (except for equity investments)	14,120	14,120
Total financial assets	**149,374**	**149,374**
Trade payables	59,321	59,321
Loans and borrowings	354,439	354,439
Other financial liabilities	13,381	13,381
Total financial liabilities	**427,141**	**427,141**

(in thousands of Belarusian roubles)

Fair value of financial instruments as at 31 December 2019 is as follows:

	31 December 2019 года	
	Carrying amount	Fair value (level 3)
Trade receivables	88,499	88,499
Cash and cash equivalents	13,967	13,967
Other financial assets (except for equity investments)	8,670	8,670
Total financial assets	**111,136**	**111,136**
Trade payables	59,645	59,645
Loans and borrowings	308,690	308,690
Other financial liabilities	10,197	10,197
Total financial liabilities	**378,532**	**378,532**

Fair value of equity instruments cannot be assessed reliably as they do not have market quotations and alternative valuation methods are difficult to use.

29. Risk management

The Group is exposed to credit risk, currency risk, interest rate risk, liquidity risk, market risk and capital management risk. The Group's risk management policies are presented below.

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the profit.

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investment securities. Objects most exposed to credit risk are represented by the carrying amount of each financial asset and liability in the balance sheet. The Group controls credit risk assessing the financial performance of counterparties and establishing credit limits on sales based on previous experience and financial solvency of its customers. The Group establishes a provision for impairment loss that represents its estimate of incurred losses in respect of trade receivables, prepayments, available-for sale financial assets, loans granted to employees. The main component of this provision is a specific loss component that relates to individually significant exposures.

The maximum exposure to credit risk of the Group, as a rule, is equal to the carrying amount of financial assets. As at 31 December 2020 and 31 December 2019 maximum exposure to credit risk was:

	31 December 2020	31 December 2019
Trade receivables	113,076	88,499
Cash and cash equivalents	22,178	13,967
Total	**135,254**	**102,466**

(in thousands of Belarusian roubles)

Additional credit risk arises from advances paid, if the customer does not fulfil the terms of delivery and does not return the amount of the advance. The amount of advances paid as at 31 December 2020 and 31 December 2019 is as follows:

	31 December 2020	31 December 2019
Advances paid	3,483	2,393
Total	**3,483**	**2,393**

During the year ended 31 December 2020 revenue from sales to the CIS countries (primarily, to the Russian Federation) amounted to 65% of total revenue for the period (2019: 62%)

Currency risk. The Group is exposed to currency risk on purchases and borrowings that are denominated in a currency other than the respective functional currency of the parent company, primarily, the US dollar, Euro and Russian Rouble.

The Group does not hedge its currency risk. The exposure of the Group to currency risk was as follows:

31 December 2020	USD	EUR	RUB	UAH	CNY	Total
Trade receivables	11,421	6,769	80,407	1,704	-	100,301
Cash and cash equivalents	2,690	3,118	12,321	211	-	18,340
Loans and borrowings	(61,483)	(101,214)	(109,133)	-	(237)	(272,067)
Trade payables	(5,432)	(25,610)	(5,392)	(55)	(653)	(37,142)
Net exposure	**(52,804)**	**(116,937)**	**(21,797)**	**1,860**	**(890)**	**(190,568)**

31 December 2019	USD	EUR	RUB	UAH	CNY	Total
Trade receivables	11,031	4,346	56,343	1,523	-	73,243
Cash and cash equivalents	1,418	1,014	9,235	164	-	11,831
Loans and borrowings	(37,191)	(94,005)	(113,762)	-	(904)	(245,862)
Trade payables	(8,769)	(17,876)	(7,109)	(27)	(380)	(34,161)
Net exposure	**(33,511)**	**(106,521)**	**(55,293)**	**1,660**	**(1,284)**	**(194,949)**

Sensitivity analysis

The following tables present the sensitivity analysis of the Group to increase and decrease of exchange rates of the U.S. dollar, Euro, Russian Rouble, Chinese yuan and the Ukrainian hryvnia to the Belarusian rouble. 5%-20% (2019: 5%-20%) - is a sensitivity level, which is used within the Group for reporting on the foreign currency risk internally to key management personnel and represents the management's assessment of possible changes in exchange rates.

Sensitivity analysis includes only foreign currency amounts at the period end, at conversion of which at the period end rates changed by the respective percent in comparison with the effective one are used. Sensitivity analysis of the effect on net equity as at 31 December 2020 and 31 December 2019 is calculated according to the income tax rate 18% (Note 26).

(in thousands of Belarusian roubles)

	31 December 2020		31 December 2019	
	USD/BYN +20.00%	USD/BYN -5.00%	USD/BYN +20.00%	USD/BYN -5.00%
Effect on profit or loss before taxation	(10,560)	2,640	(6,702)	1,676
Effect on net equity	(8,660)	2,165	(5,496)	1,374

	31 December 2020		31 December 2019	
	EUR/BYN +20.00%	EUR/BYN -5.00%	EUR/BYN +20.00%	EUR/BYN -5.00%
Effect on profit or loss before taxation	(23,387)	5,847	(21,304)	5,326
Effect on net equity	(19,178)	4,794	(17,469)	4,367

	31 December 2020		31 December 2019	
	RUB/BYN +20.00%	RUB/BYN -5.00%	RUB/BYN +20.00%	RUB/BYN -5.00%
Effect on profit or loss before taxation	(4,359)	1,090	(11,059)	2,765
Effect on net equity	(3,575)	894	(9,068)	2,267

	31 December 2020		31 December 2019	
	UAH/BYN +20.00%	UAH/BYN -5.00%	UAH/BYN +20.00%	UAH/BYN -5.00%
Effect on profit or loss before taxation	372	(93)	332	(83)
Effect on net equity	316	(76)	272	(68)

	31 December 2020		31 December 2019	
	CNY/BYN +20.00%	CNY/BYN -5.00%	CNY/BYN +20.00%	CNY/BYN -5.00%
Effect on profit or loss before taxation	(178)	45	(257)	64
Effect on net equity	(146)	36	(211)	53

The tables above show effect of changes based on the main assumption, while other assumptions remain unchanged. In fact, there is correlation between assumptions and other factors. It should also be noted that the sensitivity is non-linear, so these results should not be interpolated or extrapolated.

The sensitivity analysis does not consider that the Group actively manages assets and liabilities. In addition, the Group's financial position may change by the time the relevant changes take place in the market.

Interest rate risk is the risk that changes in the interest rates might have an adverse effect on Group's financial performance. The Group may be affected by the risk of change in interest rates in respect of its financial instruments. The principal risk to which financial instruments are exposed is the risk of loss from fluctuations in the future cash flow or fair value of financial instrument because of change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps on assets and liabilities. The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and nonstandard rate scenarios.

(in thousands of Belarusian roubles)

As at the reporting date the structure of the Group's financial instruments grouped by the level of contractual interest rates was as follows:

		Carrying amount	
		31 December 2020	**31 December 2019**
Loans and borrowings Euribor12m+(1,8%-1,90%)	EUR	489	640
Loans and borrowings Euribor3m+(5,50%-7,20%)	EUR	29,562	9,260
Loans and borrowings Euribor6m+(1,75%-3,05%)	EUR	7,294	596
Loans and borrowings Euribor+(1,45%-1,90%)	EUR	1,893	5,286
Loans and borrowings Euribor+(2,20%-2,90%)	EUR	1,798	15,842
Loans and borrowings Euribor+(3,35%-4,00%)	EUR	6,917	2,038
Loans and borrowings Euribor+(4,10%-4,60%)	EUR	1,333	-
Loans and borrowings Rate of the Central Bank of Russian Federation +(1,4%-2,1%)	RUB	-	32,069
Loans and borrowings Rate of the Central Bank of Russian Federation +(4,2%-4,5%)	RUB	-	4,997
Loans and borrowings rate COF 4,85%+2,85%	RUB	1,126	-
Loans and borrowings Internal funding rate of Commerzbank+(2,95%-3,6%)	RUB	1,758	-
Loans and borrowings key rate of the bank of Russia P+(1,6%-4,3%)	RUB	5,052	-
Loans and borrowings Refinancing rate of the national Bank of the Republic of Belarus +(3,75%-4,01%)	BYN	36,384	-
Net financial instruments with floating interest rate		**93,606**	**70,728**

Sensitivity analysis

Decrease by 1% in interest rates as at the reporting date would have increased net profit before tax by BYN 936 thousand as at 31 December 2020 (2019: BYN 707 thousand). Decrease by 1% in interest rates as at the reporting date would have increased equity by BYN 936 thousand as at 31 December 2020 (2019: BYN 707 thousand). The analysis assumes that all other variables remain unchanged.

The Group does not record any financial instruments with fixed rates on fair value through profit or loss. Thus, the change in interest rates on the reporting date will not impact net profit.

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due in ordinary or emergent conditions. To limit this risk, the Management of the Group provided an access to diversified funding sources. The Management also manages assets with liquidity in mind and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the Group's financial liabilities as at 31 December 2020 and 2019, respectively, by the earliest possible maturity, based on contractual undiscounted repayment obligations. Total nominal cash outflow in the table represents contractual undiscounted repayment obligations on the financial liabilities. The Group's actual expected future cash flows on these financial liabilities can vary from this analysis.

(in thousands of Belarusian roubles)

31 December 2020	Carrying value	Contrac-tual cash flows	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
Loans and borrowings	354,439	372,060	146,951	222,403	776	1,342	588
Trade payables	59,321	59,321	59,321	-	-	-	-

31 December 2019	Carrying value	Contrac-tual cash flows	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
Loans and borrowings	308,690	326,885	152,030	166,521	7,593	480	261
Trade payables	59,645	59,645	59,645	-	-	-	-

The Group is actively working with banks to raise funds to maintain going concern and to level out the current liquidity gap (Note 2 “Going concern assumption”).

Operational risk

Organisational structure of the Group, certain qualification requirements, clear segregation of duties and control procedures allow the Group to monitor operating risks. The Group's finance, legal, economic planning, economic and analytical departments ensure that the Group's activities comply with existing legislation, approved plans, policies and other internal documents.

Capital management

The Management's policy is to support a strong capital base so as to maintain investor, creditor and market confidence.

Belarusian legislation does not contain specific regulatory requirements applicable to the capital of the entities, except for distributable reserves, time limits within which declared equity shall be formed and minimal amount of share capital for closed joint-stock companies.

The Group manages its capital structure and makes adjustments thereto in line with the changes in economic conditions and the risk characteristics of its activities.

In order to maintain or adjust the capital structure, the Group may adjust the dividends paid to shareholders, to return equity to shareholders or issue equity securities. There were no changes in purposes, policy and procedures in capital management in comparison with previous years.

Geographical concentration

The Group monitors geographical concentration of financial assets and liabilities as well as prepayments, advances received and related risks. The Group does not have any customers sales to which exceed 10% of total sales volume. More detailed information is presented below:

As at 31 December 2020 Assets	Belarus	CIS	OECD	Other countries	Total
Trade receivables	13,577	4,783	8,617	86,099	113,076
Cash and cash equivalents	22,178	-	-	-	22,178
Liabilities					
Long-term loans and borrowings	2,289	-	-	-	2,289
Short-term loans and borrowings	352,150	-	-	-	352,150
Trade payables	23,298	6,436	23,294	6,293	59,321

(in thousands of Belarusian roubles)

As at 31 December 2019 **Assets**	**Belarus**	**CIS**	**OECD**	**Other countries**	**Total**
Trade receivables	15,692	61,852	2,983	7,972	88,499
Cash and cash equivalents	13,927	-	40	-	13,967
Liabilities					
Long-term loans and borrowings	3,914	-	-	-	3,914
Short-term loans and borrowings	304,776	-	-	-	304,776
Trade payables	26,554	8,415	10,840	13,836	59,645

30. Subsequent events

In 2020 at a meeting of ATLANT CJSC Supervisory Board it was decided to liquidate ATLANT-SERVICE LLC (Warsaw, Republic of Poland), due to the economic inexpediency of carrying out further economic activities. In January 2021, the procedure for the termination of the business of ATLANT-SERVICE LLC, the subsidiary, was completed.

The refinancing rate was increased to 8.5% since 21 April 2021.