

INDEPENDENT AUDITOR’S REPORT

**regarding the financial statements of the Community-Based Organization “Ukrainian Pet Association Worldwide”
for the year 2022**

To the Board of the Community-Based Organization “Ukrainian Pet Association Worldwide”

Report on the audit of the financial statements

Opinion

We conducted the audit of the financial statements of the Community-Based Organization “Ukrainian Pet Association Worldwide” (hereinafter – the Organization), which consists of the Financial Report of the micro-enterprise as part of the Balance Sheet (Form №1-мс) as of December 31, 2022, and the Report on the Financial Results (Form №2-мс) for the year which ended on the specified date, including a summary of significant accounting policies.

In our opinion, the attached financial statements of the Organization, drawn up in all essential aspects, reliably and objectively disclose the financial information in accordance with the National accounting regulations (standards) adopted in Ukraine and meet the requirements of the Law of Ukraine “On Accounting and Financial Reporting in Ukraine” as of July 16, 1999, № 996-XIV, and legislation on its preparation.

Background for the opinion

We conducted the audit in accordance with the International Standards on Auditing (hereinafter – ISA). Our responsibilities under these standards are set out in the Section “Auditor’s Responsibilities for the Audit of Financial Statements” of our Independent Auditor’s Report.

We are independent in relation to the Organization in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements applicable in Ukraine to our audit of financial statements and have fulfilled other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we obtained is sufficient and appropriate to use as a basis for our opinion.

Substantial uncertainty related to activity continuity

Financial reporting is prepared on the basis of the assumption that the Organization will function in the near future. This assumption provides for the implementation of statutory activity and the fulfillment of the obligations assumed by the Organization in the course of its ordinary activity. Thus, the financial reporting does not contain any adjustments to the displayed amounts of assets that would be necessary if the Organization was not able to continue its activity in the future or in case it was forced to realize its assets, not in the course of its normal activity.

We draw your attention to the presence of unfavorable factors that may cause significant changes in the Organization’s ability to continue its activity on a continuous basis. In particular, these factors include the military aggression of the Russian Federation, which caused the deepening of negative trends in the economy of Ukraine, and the operational environment, and increased the risks of the activity. The unfavorable external environment in Ukraine in the conditions of a difficult political situation, fluctuations in the exchange rate of the national currency, and the absence of factors to

improve the investment climate may in the future have a negative impact on the Organization's activity.

We draw the attention of the users of this Report to the fact that the Organization's activity, like the activity of the other enterprises in Ukraine, is and will continue to be affected by uncertainty in the future, caused by full-scale armed aggression and the invasion of the Russian Federation troops on the territory of Ukraine, in connection with which the Decree of the President of Ukraine "On the Imposition of Martial Law in Ukraine" №64/2022 as of February 24, 2022 (with changes) was adopted and taking into account the Letter of the Chamber of Commerce and Industry of Ukraine as of February 28, 2022, №2024/02.0-7.1 they are force majeure circumstances. After the end of the war, the improvement of the economic situation in Ukraine depends on the implementation of complex structural reforms by the Government of Ukraine, in particular, on the implementation of a set of administrative, economic, fiscal, legal, and other measures. Therefore, at the moment, due to the uncertainty of the list and terms of the implementation of such measures, it is impossible to reliably assess the effect of the current economic situation in Ukraine on the future activity of the Organization.

It is not possible to determine and calculate the potential cost and quantitative values of the impact of the above-mentioned issues on the date of this Report; however, they may have a negative impact on the Organization's work.

Our opinion on this issue has not been modified.

Other information

Other information consists of the information to be contained in the Management Report. The organization belongs to micro-enterprises, therefore according to the Law of Ukraine "On Accounting and Financial Reporting" it is exempted from submitting a management report.

Other issues

During the reporting year of 2022, we did not provide the Organization with audit and non-audit services and services prohibited by the current legislation of Ukraine.

Responsibility for the financial statements of the managerial staff and those endowed with the highest power

The Organization's leaders are responsible for the preparation and reliable submission of financial reporting in accordance with the NP(S)A and the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" as of July 16, 1999, № 996-XIV and for such an internal control system that the board determine necessary to ensure the organization's financial reporting which is free from substantial misstatement due to fraud or error.

In preparing financial statements, the board are responsible for evaluating the Organization's ability to continue as a going concern, disclosing, where applicable, issues relating to going concern and using the going concern assumption as a basis of accounting, unless the managerial staff either plan to liquidate the enterprise or cease operations or have no other real alternatives to this.

Those endowed with the highest power are responsible for overseeing the organization's financial reporting process.

Auditor's responsibility for the audit of financial statements

Our objectives are to obtain reasonable assurance that the financial statements taken as a whole are free from substantial misstatement, whether due to fraud or error and to issue an auditor's report that contains our opinion. Reasonable assurance is a high level of assurance but does not guarantee that the audit performed in accordance with ISAs will always detect a substantial misstatement if it exists. Misrepresentations may result from fraud or error; they are considered substantial if, individually or in the aggregate, they can reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

When performing an audit in accordance with the ISA requirements, we use professional judgment and professional skepticism throughout the audit engagement. In addition, we:

- identify and assess the risks of substantial misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and acceptable to use as a basis for our opinion. The risk of not detecting a substantial misstatement due to fraud is higher than for a misstatement due to error because fraud may involve collusion, forgery, intentional omissions, misstatements, or the neglect of internal control measures;
- obtain an understanding of the internal control measures relevant to the audit to develop audit procedures that are appropriate to the circumstances, rather than to express an opinion on the effectiveness of the internal control system;
- evaluate the acceptability of applied accounting policies and the reasonableness of accounting estimates and relevant information disclosures made by managerial staff;
- conclude on the acceptability of the use of the going concern assumption as a basis for accounting by the managerial staff, and based on the audit evidence, conclude whether there is substantial uncertainty regarding events or conditions that may cast significant doubt on the Company's ability to continue as a going concern basis. If we conclude that such a substantial uncertainty exists, we must draw attention in our auditor's report to the relevant disclosures in the financial statements or, if such disclosures are inappropriate, modify our opinion. Our conclusions are based on the audit evidence obtained prior to the date of our auditor's report. However, future events or conditions may force the Organization to cease operations on a continuing basis;
- evaluate the overall presentation, structure, and content of the financial statements, including disclosures, as well as whether the financial statements show the transactions and events underlying their preparation in a way as to achieve a fair presentation.

We communicate to those endowed with the highest power, among other issues, the information about the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

We also provide those endowed with the highest power with assurances that we have met appropriate ethical requirements for independence and disclose to them all relationships and other issues that could reasonably be considered to affect our independence, and where applicable, regarding appropriate precautions.

Basic information on the auditing entity

Full name of the entity of audit activity (in accordance with the founding documents): Limited Liability Company "AUDIT FIRM "FORTNIKE";
EDRPOU: 43128843;
registration number in the Register of auditors and entities of audit activity, Section "Register of auditors and entities of audit activity" № 4812;
location of the legal entity: vul. Lomonosova, 46A, Vynnyky Lviv, 79495,
e-mail address: lesiat.64@ukr.net;
phone: +380678833180.

The partner of the audit task, the result of which is presented in this Independent Auditor's Report, is Thorovska Oleksandra Hryhorivna (registration number in the Register of auditors and entities of audit activity, Section "Auditors" under №102467)
February 24, 2023

On behalf of LLC "AUDIT FIRM "FORTNIKE",
Chief Oleksandra Hryhorivna Thorovska
February 24, 2023



**TO THE BOARD OF THE
COMMUNITY-BASED ORGANIZATION
“UKRAINIAN PET ASSOCIATION WORLDWIDE”**

**CONTENTS OF THE AUDIT RESULTS OF THE FINANCIAL STATEMENTS OF THE
COMMUNITY-BASED ORGANIZATION “UKRAINIAN PET ASSOCIATION
WORLDWIDE”**

BASIC INFORMATION

<i>Full name of the company:</i>	COMMUNITY-BASED ORGANIZATION “UKRAINIAN PET ASSOCIATION WORLDWIDE ”
<i>EDRPOU:</i>	44791629
<i>State registration date:</i>	30.03.2022, 1009361070001000930
<i>Legal and de facto address:</i>	vul. Okružna, 57A, Lviv, Lviv region, office 100, 79041
<i>Legal form:</i>	Community-based organization
<i>Country of registration:</i>	Ukraine
<i>Current account:</i>	UA303052990000026009021015960
<i>Activity</i>	KVED (Classification of the types of economic activity): 94.99 Activity of the other community-based organization

Operating environment

Since the date of state registration – 30.03.2022 the operation of the Community-based organization “Ukrainian Pet Association Worldwide” (hereinafter – the Organization) has been taking place in difficult financial, economic, and political conditions caused by the armed aggression of the Russian Federation against Ukraine. Under these conditions, the Organization plans and implements the statutory tasks in such a way as to reduce existing risks as much as possible. For this, the measures of analytical analysis, the study of logical ways, and real possibilities are carried out. As a result, current tasks have been completed. The Organization developed in 2022, as its main activity – ensuring the welfare of animals, especially in conditions of military aggression, is extremely necessary and is supported by domestic and foreign partners, and benefactors. In connection with the above, the chiefs have made an assessment that for the time being, the Organization will go on with its work on a continuous basis. Although it is clear that there are events and circumstances that may cast significant doubt on the ability to continue as a going concern. In particular: increased military aggression of the Russian Federation; changes in legislation or in the policy of the Government of Ukraine; changes in the political and economic situation in Ukraine; the performance of statutory tasks in the conditions of financial instability, the imperfection of legislation, a decrease in the solvency of economic entities. Future operating conditions may differ from the board’s estimates.

The presented financial statements reflect the board’s current assessment of the possible impact of the conditions of activity in Ukraine on the operational and financial condition of the Organization. The board provides an assessment that the organization is able to fulfill its statutory tasks in the near future.

CONCEPTUAL BASIS OF FINANCIAL REPORTING

The financial statements are prepared in accordance with the financial reporting standards in force in Ukraine, intended to satisfy the general needs of a wide range of users for financial information

(i.e. “financial statements of general purpose” and, at the same time, aimed at reliable presentation. In the financial statements of the current period, the Organization does not disclose information about the previous period, as it was registered on March 30, 2022. These financial statements of the micro-enterprise contain the Balance Sheet as of December 31, 2022 (Form № 1-мс); Report on the Financial Results for 2022 (Form № 2-мс). The notes containing a summary of significant accounting policies and other explanations are attached to the financial statements.

BASIC PRINCIPLES OF THE ORGANIZATION’S ACCOUNTING POLICY

The Regulations on Accounting Policy reflect the main principles of the Organization’s accounting policy approved by Order № 4-O as of October 3, 2022.

In the notes to the annual financial statements, the accounting rules are applied in accordance with the requirements of regulatory legal acts, which take into account the rules of accounting and the preparation of financial statements according to the National Regulations (Standards) of Accounting. Accounting is conducted in the national currency – hryvnia. The units of measurement in which financial statements are submitted are thousand of hryvnias.

In the Regulation on accounting policy, the Organization defines:

- basic principles of accounting (financial) and the formation of reporting articles;
- unified methods of the assessment of assets, liabilities, and other balance sheet items;
- the procedure for displaying funds and material assets received from enterprises, organizations, and individuals;
- requirements and instructions regarding the accounting of individual transactions.

For the purposes of accounting and financial statements, the Organization’s assets and liabilities are capitalized and accounted for at their acquisition or origination cost and fair (market) value. The value of assets and liabilities calculated in foreign currency is converted into the national currency at the exchange rate of the National Bank of Ukraine on the date of drawing up the Balance Sheet.

ACCOUNTING JUDGMENTS

When preparing financial statements, the Organization makes estimates and assumptions that affect the determination of the sum of assets and liabilities, the determination of income and expenses of the reporting period, the disclosure of contingent assets and liabilities as of the date of the preparation of financial statements, based on National Regulations (Standards) of Accounting.

The organization uses estimates and makes assumptions that affect the indicators which are reflected in the financial statements during the following year. Estimates and judgments are subject to ongoing review and are based on the past experience of the managerial staff and other factors, including expectations regarding future events.

FIXED ASSETS, OTHER FIXED TANGIBLE ASSETS

Purchased fixed assets and other non-current tangible assets are credited to the Balance Sheet at their original cost. After the initial recognition of the objects, their further accounting is carried out at the original cost (cost price) with the deduction of accumulated depreciation and accumulated losses from impairment.

All assets are subject to depreciation (capital investment in progress). For each object of non-current assets, the value, which is amortized, is determined. The depreciation of fixed assets is calculated using the straight-line method, according to which the annual amount of depreciation is determined by dividing the amortized value by the useful life of the fixed asset object. Depreciation is not calculated if the book value of non-current assets is equal to their liquidation value. The depreciation of fixed assets is calculated during the period of useful life (exploitation) of the object, which is established when this object is recognized as an asset.

The objects of fixed assets are divided into groups according to the characteristics and criteria established by law. For each object of fixed assets, its expected period of useful life is established, which is revised in case of spending on modernization, reconstruction, and improvement of fixed assets, which leads to the improvement of the asset, increasing the period of its useful life, improving its original properties, i.e. increasing the future economic benefit from its use. The costs

of modernization, reconstruction, and improvement of fixed assets are included in their book value at the time of their actual implementation. The cost of repair, if its implementation is aimed at returning the asset to its original properties and does not lead to its improvement, is recognized as expenses of the period when they were incurred.

The fixed assets and other non-current tangible assets were purchased by the Organization in 2022 at market prices, therefore the revaluation of the initial cost and revision of the terms of useful life was not carried out.

As of December 31, 2022, the following items were accounted for: fixed assets at the original cost of UAH 657.7 thousand; other non-current tangible assets for UAH 320.9 thousand.

INTANGIBLE ASSETS

The depreciation of intangible assets is calculated using the straight-line method during the period of their useful life, which is established by the Organization when recognizing this object as an asset (when it is entered on the balance sheet).

Unfinished capital investments in intangible assets are capital investments in the acquisition, creation, and modernization of intangible assets, the use of which has not taken place as of the date of the Balance Sheet.

As of December 31, 2022, the following items were accounted for:

- other intangible assets for UAH 2.8 thousand;
- unfinished capital investments in intangible assets for UAH 478.8 thousand.

INVENTORY

Inventory accounting is carried out based on the current Order with the application of National Regulations (Standards) of Accounting. The assets of the Organization, which are held for one of the following purposes, are recognized as reserves:

- for consumption during the performance of statutory tasks;
- to ensure the functioning of the administration.

The organization uses a periodic system of inventory accounting, in which the assessment of inventory for the purpose of disposal is reflected in the accounting one time during the formation of financial statements. For all inventory accounting units that have the same purpose and the same conditions of use, only one method of inventory valuation is used when they are disposed of. In accordance with this, the assessment of all stocks upon their removal is carried out according to the FIFO method.

As of December 31, 2022, inventory for UAH 1,597.5 thousand was accounted for, including:

- fodder for dogs and cats for UAH 1,593.2 thousand;
- other stocks for UAH 4.3 thousand.

During the year 2022, low-value and perishable items were purchased for UAH 64.5 thousand.

RECEIVABLES

A receivable is recognized as an asset if there is a probability of obtaining future economic benefits and its amount can be reliably determined. Doubtful receivables are considered current receivables, regarding which there is uncertainty about their return by the debtor. A bad debt is a current debt for which there is a certainty that it will not be returned by the debtor or for which the statute of limitations has expired.

Doubtful and bad debts were not recognized in the reporting period. Long-term receivables are not registered.

As of December 31, 2022, other current receivables for UAH 17.3 thousand were recorded.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, bank accounts, and demand deposits, short-term highly liquid financial investments, which are freely convertible into certain amounts of cash and which are characterized by the insignificant risk of changes in their value.

The organization carried out non-cash transactions in national and foreign currencies. The funds came free of charge, in the form of non-refundable financial aid, voluntary donations, and charitable (humanitarian) aid from domestic and foreign organizations and individuals.

As of December 31, 2022, the funds in the bank accounts were accounted for UAH 3,799.2 thousand.

EQUITY

The founding document of the Organization is the Statute. The Statute was approved by the decision of the constituent meeting of the founders (Protocol №1 as of March 23, 2022) and does not provide for the creation of capital and making a profit. Thus, the organization does not account for capital, retained earnings (uncovered loss), or unpaid capital.

LIABILITIES AND SECURITIES

A liability is recognized if its value can be reliably determined and there is a probability that future economic benefits will decrease as a result of its settlement.

In the reporting period, the Organization did not use short-term loans from banks.

The calculation and payment of taxes and fees were carried out in accordance with the current tax legislation. Current accounts payable for settlements with the budget, insurance, and wages are not accounted for.

As of December 31.2022, the following items were accounted for:

- current accounts payable for goods, works, and services for UAH 68.6 thousand;
- other current liabilities – UAH 6,484.2 thousand.

INCOME AND COSTS

The Organization's income is recognized monthly at the level of incurred costs and is accounted for separately by the source of funding and purpose.

In the reporting period, the following items were recognized:

- income for UAH 61,599.7 thousand, including exchange rate difference – UAH 5,586.7 thousand
- costs for UAH 61,577.7 thousand, including

staff wages – UAH 341.9 thousand;

ESV(Single social contribution) – 75.2 thousand hryvnias;

depreciation of non-current assets – UAH 322.5 thousand.

purchase of inventories – UAH 12.3 thousand.

purchase of low-value and perishable goods– UAH 64.5 thousand.

purchase of fodder for animals – UAH 39,892.8 thousand.

TRANSACTIONS RELATED TO THE PARTIES

In this financial statement, related parties are considered to be parties, one of which controls the Organization or is controlled by it, or together with the organization is the object of joint control. Related parties include members of the organization, key management personnel, and their close family members. Key management personnel are represented by the head of the Organization. The head of the Organization did not have any other payments, except for a salary.

GOALS AND MANAGEMENT POLICY OF THE ORGANIZATION

The main goals of the management of the Organization's activity are to ensure the ability of the Organization's continuous activity in the foreseeable future. The organization monitors activity based on the book value of assets and liabilities.

CONTINGENT ASSETS AND LIABILITIES

In the financial statements of the Organization for the year 2022, there was no reason to recognize contingent assets and liabilities.

CONTRACTUAL OBLIGATIONS

In accordance with the terms of the concluded contracts, the Organization makes payments for purchased fixed assets, goods and services, and received services on time. As of December 31, 2022, the Organization had no obligations that it would not pay on time according to the agreements.

RISK MANAGEMENT POLICY

Risk management plays an important role in the activity of the Organization. The main risks inherent in the Organization's transactions include credit risks and liquidity risks.

Risk management policies are aimed at identifying, analyzing, and managing risks faced by the Organization, establishing controls, and subsequently monitoring risk levels.

The organization manages the following risks:

Credit risk. A credit risk is a risk that enterprises and organizations participating in animal protection programs may not fulfill their obligations on time, which may lead to the non-fulfillment of obligations accepted by the Organization.

Liquidity risk. A liquidity risk is a risk that the Organization will not be able to repay its obligations as they fall due. The Organization's liquidity position is carefully monitored and managed. The company uses a detailed budgeting and cash forecasting process to ensure that adequate resources are available to meet its payment obligations. To manage liquidity risk, the Organization monitors expected future cash flows from transactions with clients and banking transactions, which is part of the asset/liability management process.

ANALYSIS OF THE FINANCIAL STATE OF THE ORGANIZATION

Indicators of the financial state of the Organization:

N	Indicators	Formula for calculating the indicator of the Organization's financial state	As of 31.12.22
1	Absolute liquidity ratio	$K1 = (\text{Funds} + \text{Cash equivalents} + \text{Short-term financial investments}) : \text{Short-term liabilities}$	55.4
2	Total liquidity ratio (coverage)	$K2 = (\text{Funds} + \text{Cash equivalents} + \text{Debtors (undue debt and real)} + \text{Inventories} + \text{Costs}) : \text{Short-term indebtedness}$	78.9

Based on the analysis of the indicators of the financial state, the following conclusions can be drawn:

- the ratio of absolute liquidity indicates that the Organization is fully equipped with highly liquid assets;
- the ratio of total liquidity has a high value, which indicates the ability of the Organization to fully cover its debts due to the mobilization of funds in settlements with debtors.

SUBSEQUENT EVENTS – IMPACT OF THE WAR

Currently, taking into account the martial law declared by the Decree of the President of Ukraine № 64/2022 as of February 24, 2022 “On the Imposition of Martial Law in Ukraine” (as amended), it is impossible to fully assess the impact of the events that took place on accounting estimates, expectations regarding the impairment of assets.

The impact of the war on the activity of the Organization is manifested through such components as:

- the advance of the aggressor's troops deep into the territory of Ukraine;
- missile attacks on the territory of the Lviv region, the result of which may be the destruction or partial damage of the Organization's property (offices, warehouses);
- the reduction in the Organization's personnel as a result of the next stages of mobilization of the population to the Armed Forces of Ukraine;
- significant risk of using material and human resources of the Organization to meet military needs;

probable doubt about the future ability of the Organization and its suppliers to fulfill the terms of current and future contracts;

the disruption of supply chains, due to the fact that the supplying companies are located in Ukraine in the war zone, and the complication of logistics connections.

The organization conducts its activity in a region that is not covered by active hostilities. Currently, the Organization has neither the intention nor need to liquidate or significantly reduce its activity. The board assesses possible losses as those that will not affect the Organization's ability to continue as a going concern.

Chief

LLC "AF "FORTNIKE" LTD

February 24, 2023



Oleksandra THOROVSKA