JSC Ukrposhta

International Financial Reporting Standards Financial Statements and Independent Auditor's Report

31 December 2017

Contents

Independent Auditor's Report

To the Shareholder and Management of JSC Ukrposhta

Report on the audit of the financial statements

Our qualified opinion

In our opinion, except for the possible effects of the matters described in the Basis for qualified opinion section of our report, the financial statements present fairly, in all material respects, the financial position of Joint Stock Company Ukrposhta (the "Company" or JSC Ukrposhta) as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and comply, in all material respects, with financial reporting requirements of the Law on Accounting and Financial Reporting.

Our auditor's report is consistent with our additional report to the Audit Committee.

What we have audited

The Company's financial statements comprise:

- the balance sheet (statement of financial position) (form No 1) as at 31 December 2017;
- the statement of financial results (statement of comprehensive income) (form No 2) for the year then ended;
- the statement of cash flows (indirect method) (form No 3) for the year then ended;
- the statement of changes in equity (form No 4) for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for qualified opinion

Insufficient evidence over selected revenue streams and associated liabilities

We have not been able to gather sufficient and appropriate audit evidence with respect to the following Revenue streams for the sale of goods, works and services for the years ended 31 December 2017 and 31 December 2016 and the carrying amounts of the following liabilities as at 31 December 2017 and 31 December 2016:

1. Provision of postal services (Letters; Delivery of parcels, small packages; Other postal services) of UAH 1,819,956 thousand (2016: UAH 1,357,334 thousand) as disclosed in Note 20 and the balance of Unused postage stamps of UAH 97,355 thousand as of 31 December 2017 (31 December 2016: UAH 66,322 thousand) as reported in the balance sheet under Deferred revenue in Note 18;

2. Financial services of UAH 742,780 thousand (2016: UAH 642,788 thousand) as disclosed in Note 20. Also we were not able to obtain sufficient audit evidence to confirm part of foreign exchange gains less losses related to Postal money transfers disclosed in Other operating income (Note 26) in the amount of UAH 69,291 thousand (2016: UAH 23,695 thousand) and respective balances of Collected amounts due to utility companies of UAH 404,288 thousand (31 December 2016: UAH 230,032 thousand), and Money transfers due to customers of UAH 270,904 thousand (31 December 2016: UAH 142,151 thousand) as reported in the balance sheet as of 31 December 2017 under Other current liabilities in Note 19;

3. Sale of goods and other services of UAH 531,792 thousand (2016: UAH 391,606 thousand) as disclosed in Note 20 and the balance of Amounts due for sold merchandise of UAH 103,369 thousand (31 December 2016: UAH 88,022 thousand) as reported in the balance sheet as of 31 December 2017 under Other current liabilities in Note 19;

4. Subscription and distribution of periodicals of UAH 73,081 thousand (2016: UAH 48,711 thousand) as disclosed in Note 20.

The above scope limitations result from the following reasons or events that occurred during the period before and during the audit:

a) a malware attack in June 2017 leading to deletion of databases supporting the balances and movement in the postage stamps and to deletion of detailed inventory records of trading merchandise held under consignment arrangement as well as related details of the liabilities to counterparties for sold merchandise;
b) following the registration as public joint stock company in March 2017, a number of postal offices performed technical upgrade of their cash registers which led to deletion of the memory with the history supporting detailed cash transactions during the audited periods;
c) absence or inability to compile detailed information supporting non-cash revenue, being revenue derived under contractual relationships with legal entities, and revenue derived from the postal money transfers and receipt of third party payments;
d) no reconciliation performed by the Company between revenue recognised from delivery of parcels and small packages and underlying transactions in the parcel tracking management system;
e) no distinction between contractual and non-contractual third party payment in the underlying system and thus inability to verify accuracy and completeness of commission income;
f) the Company rules mandate that customer slips underlying postal money transfers and subscription to periodicals are retained for a very limited time period. Also, the physical characteristics of the Company branch offices do not allow for long term storage of large volume of customer slips. Hence, the customer slips underlying rendering of service for the years ended 31 December 2016 and 2017 have largely been destroyed at the time of our audit;
g) the Company did not perform reconciliation of the year end balances with its suppliers of consignment merchandise and us not being able to perform alternative procedures;
h) loss of accounting records in one of the reorganised branches during 2017.

Consequently, we were unable to determine whether any adjustments to any of the mentioned amounts or balances were necessary. Our audit opinion on 2016 financial statements was also qualified for this matter.

Assets located on occupied territories and associated liabilities

The events in 2014 in Crimea and in the east of Ukraine have led to seizure of assets and operations of the local branches and postal offices (see Note 12). A partial impairment provision in the amount of UAH 197,128 thousand as at 1 January 2016 was carried against these assets which are reported in the balance sheet in line Non-current assets on occupied territories. A further impairment charge of UAH 165,186 thousand against these assets was recognised during 2016, thus rendering the total amount of Non-current assets on occupied territories fully impaired as of 31 December 2016. The Current assets on occupied territories have been carried fully impaired at both balance sheet dates.

Further, the Company recognised liabilities of UAH 111,834 thousand which have originated from operations in Crimea or the east of Ukraine as presented in the balance sheet as of 31 December 2016 in line Current liabilities on occupied territories. Management presented these amounts using the latest available aggregated information that was retained from those territories.

Due to the absence of any detailed information about these balances and because we were appointed significantly after the events in Crimea and the east of Ukraine, we were unable to obtain sufficient appropriate audit evidence about the gross value of Non-current and Current assets on occupied territories as of 31

December 2016 and 31 December 2017 and the carrying amount of respective liabilities of UAH 111,834 thousand as of 31 December 2016. Consequently, we were unable to determine whether any adjustments to these amounts of impairment were necessary and respectively whether impairment charge of UAH 165,186 thousand should have been reflected in 2016 or in earlier periods. Our audit opinion on 2016 financial statements was also qualified for this matter. Likewise, we were unable to determine whether any adjustments were needed to the amount of the release of such liabilities being UAH 111,834 thousand in 2017.

Scope limitation in relation to inventory and cost of goods sold

Appointment as auditor during the year. We were first appointed as auditors of the Company on 28 November 2016 and thus did not observe the counting of the physical inventories prior to this date. We were unable to satisfy ourselves by alternative means concerning inventory quantities held at 1 January 2016 amounting to UAH 130,420 thousand. Since opening inventories enter into the determination of the results of operations, we were unable to determine whether adjustments to the results of operations and opening retained earnings might be necessary for the year ended 31 December 2016. Our audit opinion on 2016 financial statements was modified accordingly. Our opinion on the financial statements for the year ended 31 December 2017 is also modified because of the possible effects of this matter on the comparability of the current period's figures and the corresponding figures.

Destroyed records, goods for resale. In June 2017, the Company experienced a malware attack, which destroyed detailed inventory records of goods for resale owned by the Company at 1 January 2016 and 31 December 2016 in the amount of UAH 38,023 thousand and UAH 39,193 thousand, respectively. We were unable to satisfy ourselves by alternative means concerning goods for resale value reported by the Company as of this date. Since inventories enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the profit for the year reported in the statement of financial results and the net cash flows from operating activities reported in the statement of cash flows for the years ended 31 December 2016 and 2017. Our audit opinion on 2016 financial statements was also qualified for this matter.

Limitations in relation to cost of sales. During 2017, the Company reorganised its internal structure and combined operations of the two branches into one. After the merger, the portion of the accounting records and underlying documents of the closed branch has not been retained. As a result, we have not been able to obtain detailed records and documents supporting the amount and nature of the expenses totalling UAH 22,900 thousand as presented in Cost of sales of Goods, Works and Services for the year ended 31 December 2017 and to determine whether any adjustments to that amount were necessary.

Also, we have not been able to satisfy ourselves with respect to classification between material costs in the amount of UAH 485,957 thousand and other expenses for the year ended 31 December 2016, as reported in the statement of financial results in Cost of sales of goods, works and services. Our audit opinion on 2016 financial statements was modified accordingly. Our opinion on the financial statements for the year ended 31 December 2017 is also modified because of the possible effects of this matter on the comparability of the current period's figures and the corresponding figures.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Law on Audit of Financial Statements and Auditing that are relevant to our audit of the financial statements in Ukraine. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 6 part 4 of the Law on Audit of Financial Statements and Auditing.

Material Uncertainty Relating to Going Concern

We draw attention to the paragraph 'Going concern' as included in Note 3 of the financial statements, which indicates that JSC Ukrposhta has been negatively affected by the general inflation in Ukraine over the last several years and the decision of Ukraine's government to raise the level of minimum wages. This resulted in a significant increase in salaries and other costs which was not accompanied by a comparable increase in revenues as majority of the Company's services are of a regulated nature, which in turn led to a continuing negative impact on the working capital of the Company. As stated in Note 3, these events and conditions, along with other matters set forth in the paragraph 'Going concern' as included in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our audit approach

Overview

Materiality	UAH 54 million
Key audit matters	Gathering audit evidence with respect to revenues and expenses related to international postal exchange Derecognition of liabilities in relation to operations in Non-controlled territory and Crimea Confirmation of bank balances held with the Company's largest bank

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.

Overall Company materiality	UAH 54 million
How we determined it	1% of total revenues
Rationale for the materiality benchmark applied	We chose revenue as the benchmark because, in our view, it is most representative of the performance of the Company. JSC Ukrposhta is a government owned business with many regulated services and carries a special social role in the society such as delivery of pensions and maintaining presence in very distant and scarcely populated areas, hence its objective is not about maximising profits or returns to the shareholder. We have applied this benchmark, based on our analysis of the common information needs of users of the financial statements. We determined materiality as 1% of total revenue, which is, based on our professional judgment, within the range of acceptable quantitative materiality thresholds.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	*How our audit addressed the key audit matter*
Gathering audit evidence with respect to revenues and expenses related to international postal exchange (Note 20 and 21) For a number of years, the Company has been a member of the Universal Postal Union following the ratification of the Universal Postal Convention (UPC) which sets the rules for deliveries of letters and packages internationally. The Company provides a service to a postal operator of another country for deliveries in Ukraine originated from the foreign postal operator and thus earns income. The Company also needs the services of foreign	Understanding that the Company performs a detailed calculation based on the recorded volumes and the UPC tariffs and later confirms the amount of revenue and expenses in the annual and semi-annual invoices with individual countries, we decided to perform a substantive analytical procedure being the recalculation of revenue earned and costs incurred using certain non-financial information about volume of cross-border shipments and tariffs as per the UPC. During the analytical procedure we noted differences in revenue for individual countries and later confirmed that the initially posted accrual of revenue was significantly revised as

postal operators to deliver letters and packages with origination in Ukraine and thus incurs costs.

While the UPC has clear rules about how to agree invoices and effect payment for services between postal operators, usually there is a delay between the time when the service is rendered and the time when invoices are agreed on a bi-lateral basis and paid. Hence, during preparation of the financial statements, management calculates revenue accrual on the basis of volume information from its warehouse and the UPC tariff. In prior period, the Company posted a material adjustment to revenue and costs associated with international postal exchange based on our audit.

We focused on this area because revenue is a significant risk and in this particular situation the amounts of revenue and expenses are determined on the basis of calculations with higher degree of complexity due to the large number of transactions occurring frequently with each individual foreign postal operator. In 2017, the revenue and expenses related to UPC amounted to UAH 574,478 thousand and UAH 384,728 thousand, respectively.

a result of confirmation process with individual countries. This resulted in a material downward revision of the recognised revenue amount.

Based on this finding, we modified our audit approach and decided to test revenues and expenses under UPC by cross-referencing the amounts on the sample basis to the invoices agreed with individual postal operators of other countries. Further, we tested the Company's roll-forward of accounts receivable and accounts payable with individual countries on a sample basis. In this test, the accrued revenue was agreed to amount as per country invoice and cash received/paid was agreed to bank. Additionally, we tested a sample of subsequent payments from the total population for the year which relate to settlement of invoices of 2017. Also, we recalculated foreign exchange differences that result from receivable and payable balances with postal operators of other countries and this resulted in a material reclassification of revenue within income statement.

Based on our work, we found the Company's revised accrual of revenues and costs relating to the UPC supportable by the available evidence.

Derecognition of liabilities in relation to operations in Non-controlled territory and Crimea (Note 4)

Following the events in Crimea and in the east of Ukraine, the Company lost control over its branches located beyond the conflict line. Because the majority of the business and financial accounting functions were decentralised, the Company also lost access to the detailed accounting records in those branches. Despite this, since 2014 the Company carried in full the liabilities related to branches in Crimea and non-controlled territory in the east of Ukraine. These liabilities amounted to UAH 111,846 thousand and have been recorded in the balance sheet in line "Current liabilities on occupied territories". The amounts have been recorded on the basis of the latest available trial balances from those branches.

In 2017, management decided to de-recognise these liabilities on the following basis. First, the standard statute of limitations (three years) have expired in 2017. Second, management believe that because there are multiple crossing points along the line of conflict, there was sufficient time between 2014 and present day to present any valid claims for settlement by the Company. To date

We engaged our internal legal experts who confirmed that the standard statute of limitations is three years and that the court practice in Ukraine is generally not to extend the statute of limitations in relation to events in Crimea or non-controlled territory. As an audit team we have reviewed the structure of these liabilities on the basis of the most recent available consolidation forms prepared by the branches and confirmed that the structure is similar to the business of the Company in other regions of Ukraine and that it suggests there is no one single significant counterparty. During the prior year audit we traced the amount of such liabilities to the most recently available trial balances from the branches in question without exceptions.

Further, we reviewed the list of claims which originated since 2014 in relation to seized branches. The total amount claimed for settlement and the resulting amounts awarded by the courts are significantly below our audit materiality level.

We reviewed the disclosure of significant judgement in relation to derecognition in the financial statements.

As a result of our work, we concluded that the closing balance of the liabilities associated with the seized branches in the non-controlled territory and Crimea as at 31 December 2017, recorded at nil, is supportable in the circumstances.

there were no significant claims in relation to liabilities that originated from branches in the non-controlled territory and Crimea.

As such, the Company's liabilities that originated from branches in the non-controlled territory and Crimea as at 31 December 2017 are recorded at nil in these IFRS financial statements.

We decided to focus on this areas because derecognition of liabilities involves significant management judgement.

Confirmation of bank balances held with the Company's largest bank (Note 12, Note 29)

As at 31 December 2017, the cash and cash equivalents held in the current accounts in banks amounted to UAH 2,608,012 thousand. Of this amount UAH 2,350,612 thousand was held at a large state owned bank. The number of individual current accounts in this bank amounted to unusually high number.

This is explained by the fact that the Company has individual contracts with more than 600 regional branches of Ukraine's State Pension Fund and other social institutions of Ukraine's government. Each of such contracts requires opening a current account in the local branch of the state owned bank where cash is transferred for subsequent payments to pensioners and other recipients of social benefits.

We focused on this area because during the past audit we encountered unusual difficulties when confirming closing bank balances with this state owned bank and similar difficulties were noted during current year audit

To satisfy ourselves with closing balances of cash and cash equivalents held in the current accounts with the Company's largest bank we sent our standard bank confirmation letter to this banking entity requesting to confirm closing cash position along with other information. In their response, the state owned bank confirmed significantly lower amount of cash and cash equivalents as at 31 December 2017. During further analysis we noted that a large number of current accounts as per records of the Company was not included in the bank confirmation letter. We discussed this finding with management and agreed that another confirmation request will be sent to this bank asking to confirm complete population of the current accounts opened in the name of the Company.

This process was repeated four times, each time resulting in a difference with the closing cash records of the Company. As a result of the fifth iteration, we obtained bank confirmation letter with the balance of current accounts in the amount of UAH 2,350,612 thousand and this was consistent with records of the Company.

Because of multiple versions of the bank confirmation letter, we decided to agree on a sample basis the closing balance of current accounts in the Company's largest bank to hard copies of the year end bank statements. This additional test resulted in no exceptions. In addition, we contacted the bank's representatives and confirmed authenticity of the confirmation letter.

Based on the audit procedures performed, we satisfied ourselves with the closing balance of cash and cash equivalents as at 31 December 2017.

Reporting on other information.

Management is responsible for the other information. The other information comprises the Annual information of the issuer of securities (but does not include the financial statements and our auditor's report thereon) which is expected to be updated by the management following the reissue of the financial statements and to be made available to us after the date of our auditor's report. The Law of Ukraine on Audit of Financial Statements and Audit Activity that became effective from 1 October 2018 requires that we comment on any errors or inconsistencies between the Management report and the financial statements. However, the legislation does not require preparation of the Management report to accompany the financial statements for the year ended 31 December 2017 and such report was not prepared by management.

Our qualified opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information comprising the Annual information of the issuer of securities which is expected to be updated by the management following the reissue of the financial statements, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company 's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, 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 have complied with relevant ethical 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Company by the management of the Company on 28 November 2016 to audit 2016 financial statements. We have been reappointed by the management on 17 January 2018 to audit financial statements for the years ended 31 December 2017-2019. Our current appointment represents a total period of uninterrupted engagement of 2 years.

The engagement leader on the audit resulting in this independent auditor's report is Julia Paranich.

LLC AF "PricewaterhouseCoopers (Audit)"
Registration number in the Register of Auditors and Auditing Entities 0152

Julia Paranich
Audit certificate No. 007266

LLC "AF PricewaterhouseCoopers (Audit)"

Kyiv, Ukraine

13 March 2019

All amounts in thousands of Ukrainian Hryvnia

Enterprise: **JSC Ukrposhta**
Territory: **Ukraine, Kyiv, Shevchenkivskyi District**
Organisational and legal form of economic activity: **State Joint Stock Company**
Type of economic activity: **National postal services**
Average number of employees: **73,373**
Address, telephone: **22, Khreschatyk Str., Kyiv**
Measurement unit: thousands of Hryvnias, no decimal point
Prepared (mark "v" in the appropriate cell):

in accordance with National Regulations (Standards) of Accounting	
in accordance with International Financial Reporting Standards	v

Balance Sheet (Statement of Financial Position)

Form No 1 DKUD code 1801001

Assets	Note	Line code	31 December 2016	31 December 2017 (as restated – see Note 6)
I. Non-current assets				
Intangible assets		1000	27,658	35,965
historic cost		1001	112,519	122,831
amortisation		1002	(84,861)	(86,866)
Construction in progress	9	1005	154,469	302,426
Property, plant and equipment	9	1010	3,160,759	3,160,356
historic cost		1011	4,210,579	4,401,533
depreciation		1012	(1,049,820)	(1,241,177)
Investment property		1015	11,685	13,435
historic cost		1016	11,685	13,435
depreciation		1017	-	-
Other financial investments		1035	5,497	12,399
Long-term accounts receivable		1040	1,347	522
Deferred tax assets		1045	-	-
Non-current assets on occupied territories	13	1091	362,314	362,314
Impairment allowance for non-current assets on occupied territories		1092	(362,314)	(362,314)
Total Section I		**1095**	**3,361,415**	**3,525,103**
II. Current assets				
Inventories	10	1100	138,093	235,736
production stock		1101	92,119	136,213
work in progress		1102	1	-
finished goods		1103	6,780	7,724
goods for resale		1104	39,193	91,799
Accounts receivable for goods, works and services	11	1125	709,222	834,658
historic cost		1125.1	717,586	848,177
impairment provision		1125.2	(8,364)	(13,519)
Accounts receivable on settlements: on advances issued	11	1130	18,709	24,900
with the budget		1135	15,402	15,791
including corporate profit tax prepaid		1136	-	-
on accrued income		1140	4,456	3,732
Other current accounts receivable	11	1155	65,026	95,681
historic cost		1155.1	65,087	100,915
impairment provision		1155.2	(61)	(5,234)
Cash and cash equivalents	12	1165	1,559,413	2,982,647
Cash on hand		1166	283,143	374,635
Current accounts		1167	1,276,270	2,608,012
Other current assets		1190	10,877	18,947
Current assets on occupied territories	13	1191	107,109	109,757
Impairment allowance for current assets on occupied territories		1192	(107,109)	(109,757)
Total Section II	-	**1195**	**2,521,198**	**4,212,092**
TOTAL ASSETS		**1300**	**5,882,613**	**7,737,195**

All amounts in thousands of Ukrainian Hryvnia

Balance Sheet (Statement of Financial Position) (continued)

Form No 1			DKUD code	1801001
Liabilities	**Note**	**Line code**	**31 December 2016**	**31 December 2017 (as restated – see Note 6)**
I. Equity				
Registered capital	14	1400	1,264,559	6,518,597
Effect of corporatisation		1419	-	(5,254,038)
Retained earnings		1420	1,711,680	1,534,200
Total Section I		**1495**	**2,976,239**	**2,798,759**
II. Long-term liabilities and provisions				
Deferred tax liabilities	27	1500	277,360	235,400
Long-term bank borrowings		1510	-	-
Other long-term liabilities	15	1515	-	27,250
Total Section II		**1595**	**277,360**	**262,650**
III. Current liabilities and provisions				
Short-term bank borrowings	15	1600	290,973	323,878
Current accounts payable on settlements: for long-term liabilities	15	1610	-	38,189
for goods, works and services	16	1615	274,830	496,625
with the budget		1620	59,871	57,289
including liability on income tax		1621	10,081	35
for insurance		1625	29,518	38,906
on payroll		1630	116,360	137,355
Current accounts payable on advances received		1635	31,483	26,626
Accruals and other provisions	17	1660	160,004	222,557
Deferred revenue	18	1665	212,514	286,714
Other current liabilities	19	1690	1,341,615	3,047,647
Current liabilities on occupied territories	13	1691	111,846	-
Total Section III		**1695**	**2,629,014**	**4,675,786**
TOTAL LIABILITIES AND EQUITY		**1900**	**5,882,613**	**7,737,195**

Approved for issue and signed on 13 March 2019.

Smelyansky I.
General Director

Paliy M.
Deputy General Director of Finance

Serdiuk N.
Chief Accountant

All amounts in thousands of Ukrainian Hryvnia

Enterprise: JSC Ukrposhta

Statement of Financial Results (Statement of Comprehensive Income)

for the year ended 31 December 2017

Form No 2 DKUD code 1801003

I. FINANCIAL RESULTS

Item	Note	Line code	For the reporting period - 2017 (as restated – see Note 6)	For the prior period 2016
1		2	3	4
Net revenue from sales of goods, works and services	20	2000	5,377,253	4,590,576
Cost of sales of goods, works and services	21	2050	(5,198,099)	(4,106,203)
Gross:				
Profit		2090	179,154	484,373
Loss		2095	-	-
Other operating income	26	2120	299,855	122,384
Administrative expenses	23	2130	(361,655)	(203,684)
Selling expenses	22	2150	(227,014)	(140,628)
Other operating expenses	24	2180	(102,962)	(255,735)
Financial results from operating activities:				
Profit		2190	-	6,710
Loss		2195	(212,622)	-
Other financial income		2220	35,170	26,332
Other income		2240	8,097	5,383
Financial expenses	25	2250	(34,802)	(58,853)
Other expenses		2270	(15,283)	(39,367)
Financial results before taxation:				
Profit		2290	-	-
Loss		2295	(219,440)	(59,795)
Income tax (expense)/credit	27	2300	41,960	(591)
Net financial result:				
Profit		2350	-	-
Loss		2355	(177,480)	(60,386)

II. COMPREHENSIVE INCOME

Item	Note	Line code	For the reporting period - 2017 (as restated – see Note 6)	For the prior period 2016
1		2	3	4
Revaluation of non-current assets		2400	-	-
Other comprehensive income		2445	-	-
Other comprehensive income before tax		**2450**	-	-
Income tax arising on other comprehensive income		2455	-	-
Other comprehensive income after tax		**2460**	-	-
Comprehensive income (total of lines 2350, 2355 and 2460)		**2465**	(177,480)	(60,386)

All amounts in thousands of Ukrainian Hryvnia

Statement of Financial Results (Statement of Comprehensive Income)
for the year ended 31 December 2017
(continued)

Form No 2
III. ELEMENTS OF OPERATING EXPENSES

Item	Note	Line code	For the reporting period - 2017 (as restated – see Note 6)	For the prior period 2016
1		2	3	4
Material expenses		2500	507,853	494,930
Payroll		2505	3,350,848	2,487,682
Social payments		2510	808,216	550,924
Depreciation/amortisation		2515	195,021	165,904
Other operating expenses		2520	1,027,792	1,006,810
Total		**2550**	**5,889,730**	**4,706,250**

IV. CALCULATION OF SHARES PROFITABILITY

Item	Note	Line code	For the reporting period - 2017 (as restated – see Note 6)	For the prior period 2016
1ч		2	3	4
Average annual number of ordinary shares	-	2600		-
Average annual number of ordinary shares, adjusted		2605		-
Net profit/(loss) per share		2610		-
Net profit/(loss) per share, adjusted		2615	-	-
Dividends per ordinary share		2650	-	-

Approved for issue and signed on 13 March 2019.

Smelyansky I.
General Director

Paliy M.
Deputy General Director of Finance

Serdiuk N.
Chief Accountant

All amounts in thousands of Ukrainian Hryvnia

Enterprise: **JSC Ukrposhta**

Statement of Cash Flows (indirect method)
for the year ended 31 December 2017

Form No 3 DKUD code 1801004

Item	Note	Line code	For the reporting period (as restated – see Note 6)	For the prior period
1		2	3	4
I. Cash flows from operating activities				
Loss before tax		3500	(219,440)	(59,795)
Adjustments for:				
Depreciation and amortisation of non-current assets		3505	195,021	165,904
Increase in provisions		3510	136,753	76,179
Unrealised foreign exchange gain		3515	(116,918)	(90,132)
Gain from non-operating activities and other non-cash transactions		3520	15,336	22,682
Impairment of non-current assets on occupied territories		3526	-	167,063
Derecognition of liabilities on occupied territories and Crimea		3527	(111,846)	-
Financial expenses	25	3540	34,802	58,853
Finance income		3524	(35,170)	(26,332)
(Increase) / decrease in current assets		3550	(155,214)	(127,388)
Increase / (decrease) in current liabilities		3560	1,955,852	424,486
Cash flows from operating activities		**3570**	**1,699,176**	**611,520**
Income tax paid		3580	(10,046)	(2,518)
Interest paid		3585	(5,963)	(22,852)
Net cash from operating activities		**3195**	**1,683,167**	**586,150**
II. Cash flows from investing activities				
Interest received		3215	35,170	26,218
Payments for acquisition of: property, plant and equipment and intangible assets		3260	(300,870)	(170,969)
Net cash used in investing activities		**3295**	**(265,700)**	**(144,751)**
III. Cash flows from financing activities				
Bonds issued		3305	4,700	-
Dividends paid		3355	-	(5,215)
Net cash used in financing activities		**3395**	**4,700**	**(5,215)**
Net increase (decrease) in cash and cash equivalents		3400	1,422,167	436,184
Cash and cash equivalents at the beginning of the year		3405	1,559,413	1,114,884
Impact of change in foreign exchange rates		3410	1,067	8,345
Cash and cash equivalents at the end of the year	**12**	**3415**	**2,982,647**	**1,559,413**

Non-cash investing and financing activities during 2017 comprised acquisition of vehicles and computer equipment by means of finance leases in the amount of UAH 68,011 thousand (2016: nil).

Approved for issue and signed on 13 March 2019.

Smelyansky I.
General Director

Paliy M.
Deputy General Director of Finance

Serdiuk N.
Chief Accountant

All amounts in thousands of Ukrainian Hryvnia

JSC Ukrposhta

Statement of Changes in Equity

for the year ended 31 December 2017

Form No 4 DKUD code 1801005

Item	Line code	Registered capital	Effect of corporatisation	Retained earnings	Total
1	2	3	4	5	6
Balance at the beginning of the year	4000	**1,264,559**	-	**1,711,680**	**2,976,239**
Corrections of errors	4010	-	-	-	-
Balance at the beginning of the year (as restated)	**4095**	**1,264,559**	-	**1,711,680**	**2,976,239**
Net loss for the reporting period	4100	-	-	(177,480)	(177,480)
Other comprehensive income for the reporting period	4110	-	-	-	-
Corporate reorganisation	4240	5,254,038	(5,254,038)	-	-
Capital distribution		-	-	-	-
Changes in equity, total	**4295**	**5,254,038**	**(5,254,038)**	**(177,480)**	**(177,480)**
Balance at the year end	**4300**	**6,518,597**	**(5,254,038)**	**1,534,200**	**2,798,759**

Statement of Changes in Equity

for the year ended 31 December 2016

Form No 4 DKUD code 1801005

Item	Line code	Registered capital	Effect of corporatisation	Retained earnings	Total
1	2	3	4	5	6
Balance at the beginning of the year	4000	**1,264,559**	-	**1,772,066**	**3,036,625**
Corrections of errors	4010	-	-	-	-
Balance at the beginning of the year (as restated)	**4095**	**1,264,559**	-	**1,772,066**	**3,036,625**
Net loss for the reporting period	4100	-	-	**(60,386)**	**(60,386)**
Other comprehensive income for the reporting period	4110	-	-	-	-
Distribution to owners:	4240	-	-	-	-
Capital distribution		-	-	-	-
Changes in equity, total	**4295**	-	-	**(60,386)**	**(60,386)**
Balance at the year end	**4300**	**1,264,559**	-	**1,711,680**	**2,976,239**

Approved for issue and signed on 13 March 2019.

Smelyansky I.
General Director

Paliy M.
Deputy General Director of Finance

Serdiuk N.
Chief Accountant

1 JSC Ukrposhta

Joint Stock Company Ukrposhta (hereinafter JSC Ukrposhta or the "Company") is an entity with its 100% shares held by the State of Ukraine, which is managed by the Ministry of Infrastructure of Ukraine. The Company was established in 1947 during the rule of the Soviet Union. It was reorganised as Ukrainian State Enterprise of Postal Service "Ukrposhta" (hereinafter - USEPS "Ukrposhta") in 1994. In February 2016, the Government of Ukraine decided to re-organise Ukrposhta from a state owned enterprise to a corporate entity. In March 2017, Ukrposhta was registered as a JSC under the laws of Ukraine. The Company's shares are not listed on any international or local exchanges.

The Company's principal business is the provision of postal and related services to the general public, governmental entities and businesses, namely:

- postal services (delivery of letters, parcels and postcards locally and internationally);
- delivery of pensions and selected social payments to individuals;
- financial services (acceptance of payment for utilities; domestic and international money transfers);
- distribution of periodicals (managing subscription and delivery of periodicals); and
- sale of merchandise (including where the Company acts as an agent selling merchandise which belongs to other parties) and other services.

The Company is a member of the Universal Postal Union starting from 1947 and conducts postal operations with more than 100 national postal operators of other countries.

The Company operates approximately 11,000 postal offices in Ukraine and has more than 73,000 employees.

The Company's registered address and the principal place of business is 22, Khreschatyk Str., Kyiv, 01001, Ukraine.

2 Operating environment

The ongoing political and economic instability in Ukraine which commenced at the end of 2013 and led to a deterioration of State finances, volatility of financial markets, illiquidity on capital markets, higher inflation and depreciation of the national currency against major foreign currencies has continued in both 2016, 2017 and to date, though to a much lesser extent as compared to 2014 and 2015.

The banking system remains fragile due to its weak level of capital, low asset quality caused by the economic situation, currency depreciation, changing regulations and other factors. Currency control restrictions introduced in 2014-2015 have significantly been eased since 7 February 2019. In particular, the settlement period for amounts due under foreign economic agreements is increased to 365 days (180 days previously), a limit on payment of dividends in foreign currencies abroad based on the 2018 performance results is set at USD 7 million a month (USD 5 million a month previously), early repayment of debt liabilities is allowed, and the required share of foreign currency proceeds subject to mandatory sale will be decreased from 50% to 30% starting from 1 March 2019.

The National Bank of Ukraine ("NBU") continued its inflation targeting policy and gradually raised its key interest rate from 12.5% in May 2017 to 18% in September 2018. This has helped restrain inflation below 10%, although the cost of domestic funding has increased significantly. NBU adhered to floating the hryvnia exchange rate and the hryvnia finished the year of 2018 at UAH 27.69 per USD 1, compared to UAH 28.07 per USD 1 as at 31 December 2017. Among the key mitigating factors for the hryvnia were the successful unlocking of the IMF programme, strong revenues of agri exporters, tight UAH liquidity and growth in remittances from labour migrants.

In December 2018, the IMF Board of Directors approved the stand-by assistance (SBA) 14-month programme for Ukraine, totalling USD 3.9 billion. In December, Ukraine has already received USD 2 billion from the IMF and the EU, as well as USD 750 million credit guarantees from the World Bank. IMF program's approval significantly increases the chance of Ukraine to meet foreign currency obligations in 2019, and thus will support the financial and macroeconomic stability of the country. The IMF will decide on further tranches in May and November 2019, depending on Ukraine's success in fulfilling the terms of the Memorandum on Economic and Financial Policies, which Ukraine plans to follow during the SBA programme's implementation.

In 2019-2020, Ukraine faces major public debt repayments, which will require mobilizing substantial domestic and external financing in an increasingly challenging financing environment for emerging markets.

2 Operating environment (continued)

The events which led to annexation of Crimea by the Russian Federation in February 2014 and the conflict in the east of Ukraine which started in spring 2014 has not been resolved to date. See Note 13 which discusses how this conflict impacted the Company. The relationships between Ukraine and the Russian Federation have remained strained. On 1 January 2016, the agreement on the free trade area between Ukraine and the EU came into force. Just after that, the Russian government implemented a trading embargo on many key Ukrainian export products. In response, the Ukrainian government implemented similar measures against Russian products.

Also, Ukraine faces presidential elections at the end of March 2019, and then parliamentary elections in October 2019. Amid double elections, the degree of uncertainty in 2019 will remain very high. Despite certain improvements in 2017-2018, the final resolution and the ongoing effects of the political and economic situation are difficult to predict but they may have further severe effects on the Ukrainian economy and the Company's business.

3 Summary of significant accounting policies

Basis of preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas, involving a high degree of judgement, complexity, or areas where assumptions and estimations are significant to the financial statements are disclosed in Note 4.

These financial statements are presented in the national currency of Ukraine, Ukrainian Hryvnia ("UAH") and all values are rounded to the nearest thousand.

Going concern. As of 31 December 2017, the Company had an excess of current liabilities over current assets of UAH 463,694 thousand. In addition, the Company has defaulted on the bank debt in the amount of UAH 319,178 thousand. Negotiating settlement with the third party, which acquired the debt from the Ukraine's Deposit Guarantee Fund was completed in September 2018. Based on the results of the negotiations, the debt was repaid and the gain on extinguishment of liabilities in the amount of UAH 111,108 thousand was recognised in 2018. The factors leading to working capital deficit are discussed further in greater detail.

The Company's business is concentrated in Ukraine, the majority of its revenue is generated in Ukraine and denominated in UAH, although the Company also receives some hard currencies from providing service to foreign postal operators by delivering mail and transfers to end customers in Ukraine. Following the events in the east of Ukraine and Crimea in 2014, the Company lost control over its assets and operations in these areas which included both current and non-current assets.

Many of the Company's services are regulated. As such, the costs of rendering services are impacted immediately by general inflation and salary increase whereas the tariffs which account for such cost increases are adjusted with some delay. The government of Ukraine introduced a staged increase in the minimum salary from UAH 1,600 to UAH 3,200 from 1 January 2017, to UAH 3,723 from 1 January 2018 and to UAH 4,173 from 1 January 2019.

The Company has an obligation to deliver pensions in Ukraine on behalf of the State Pension Fund, often to the most remote locations. The Company's tariff has been determined as a fixed percentage of the amount of money delivered and this percentage has not been revised for the last 13 years. At the same time, the Company's customer base reduced as many pensioners switched to being serviced by the banks in the larger towns. Additionally, in Ukraine the pensions have been increasing at a slower rate than the salaries. Because payroll is the major cost item of the Company, this decision on the increase in the minimum salary made the major contribution to loss of operating cash flows and working capital deficit.

In late 2017, management of the Company commenced negotiations with the government of Ukraine to increase the tariff for pension delivery, however, no decision on the increase in the tariff for pension delivery has been taken as of the date of these financial statements. As a temporary solution, the state budget of Ukraine for 2019 allocated UAH 500,000 thousand to compensate the Company's costs attributable to pension delivery services for first six months of 2019. The Company received UAH 209,000 thousand in February 2019 and the remainder is expected during March - April 2019.

All tabular amounts in thousands of Ukrainian Hryvnia

3 Summary of significant accounting policies (continued)

Management has prepared quarterly cash flow projections through to the end of 1Q2020. Judgments with regard to future tariffs, parcel and letter volumes and the timing of settlements with various counterparties were required for the preparation of the cash flow projections. Important assumptions underlying cash flow projections are:

- a growth in tariffs (which was approved for large part of products) and the volume of parcels handled by the Company growing 26% versus estimated market growth of 20% in 2019. This includes a portion of parcels with the recipient abroad growing at the rate of 27%;
- The volume of handled letters stays relatively flat, while revenue growing due to tariff increase that has already been approved by the regulator;
- an increase in revenues from operations related to acceptance of payments (where tariff increase is more than offsetting reduction in volume) and transfers (where growth is largely driven by the volume);
- compensation of a reduction in the volume of subscription through the increase in tariff (that has been approved);
- the reduction in the number of individuals that use services of the Company's pension delivery does not reduce by more than 12% in 2019;
- restraint of growth in controllable costs and ability to postpone settlement with foreign postal operators;
- investment cost constraints, meaning no investment in infrastructure or acquisition of new vehicles or computer equipment;
- government's continued support of the pension delivery through subsidies, meaning further allocation of funds of similar amounts

Management has estimated that the cash flows for the period through to the end of March 2020 are positive, indicating that there is no liquidity gap in all quarters and operating activities are sustainable.

In addition, the sensitivity analysis of cash flows to underlying assumptions has been performed. With the simultaneous crystallisation of all adverse scenarios, the Company will be exposed to the liquidity gap during second half of 2019 (even providing that the Company will receive UAH 500,000 thousand of financing from the state budget during first six months of 2019). Management sees two options to cover the liquidity gap that may arise. The first option is to continue the compensation practice for loss-making activity of pension delivery through an increase in the pension delivery tariff or allocation of additional budget financing for second six months of 2019. Alternatively, management is considering reduction of the Company's presence in locations which generate losses, focusing primarily on more profit-making units. This decision is subject to approval by the Supervisory Board.

Management acknowledges that, prior to finalisation of the discussion about the comprehensive solution to address the loss-making pension delivery activity with the Ukraine's government, there is a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern

Based on cash flow projections performed, management considers that the application of the going concern assumption for the preparation of these financial statements is appropriate.

Foreign currency translation. The functional currency of the Company is UAH, the currency of the primary economic environment in which the entity operates.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the official exchange rate of the National Bank of Ukraine ("NBU") at the end of the reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities are recognised in profit or loss.

The principal rates of exchange used for translating foreign currency balances and transactions were as follows:

In Ukrainian Hryvnias	**31 December 2017**	**31 December 2016**
USD/UAH closing	28.07	27.19
USD/UAH average	26.60	25.55
SDR/UAH closing	39.88	36.44
SDR/UAH average	36.87	35.53

Foreign currency can be converted into Ukrainian Hryvnia and Ukrainian Hryvnia can be converted into foreign currency at a rate influenced by the National Bank of Ukraine. The exact rate that the Company may obtain is dependent on negotiations with its commercial banks and demand/supply balance on the interbank currency market during the period of conversion.

3 Summary of significant accounting policies (continued)

Special drawing right ("SDR") is the International Monetary Fund accounting unit used as the monetary unit of the Universal Postal Union of which the Company is a member.

Classification of financial assets. Financial assets are categorised as loans and receivables.

Property, plant and equipment. Property, plant and equipment (PP&E) are stated at cost, less accumulated depreciation and provision for impairment, where required.

Construction in progress represents the cost of property, plant and equipment which have not yet been completed, less any accumulated impairment. This includes cost of construction works, cost of plant and equipment and other direct costs. Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

At the end of each reporting period, management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. Where there is an impairment the carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in profit or loss for the year.

Depreciation. Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost less their estimated residual values over their estimated useful lives:

	Remaining useful lives in years
Buildings and structures	from 4 to 55
Plant and equipment	from 2 to 12
Vehicles	from 2 to 16
Office furniture and equipment	from 2 to 12

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal. if the asset was already of the age and in the condition expected at the end of its useful life.

Income taxes. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Inventories. Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure. Costs are assigned to individual items of inventory on the specific identification basis. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3 Summary of significant accounting policies (continued)

Trade and other receivables. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original or renegotiated terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit or loss within other operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against of other operating income in the profit or loss.

Renegotiated trade and other receivables are measured at amortised cost based on the new pattern of renegotiated cash flows. A gain or loss is recognised in the profit or loss on the date of renegotiation, which is subsequently amortised using the effective interest method. If the terms of a receivable are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms.

Advances issued and prepayments. Advances and prepayments are carried at cost less provision for impairment. An advance and prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition.

Advances and prepayments to acquire assets are transferred to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company. Other advances and prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to an advance and a prepayment will not be received, the carrying value of the advance and prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Prepayments are presented in these financial statements net of VAT balances as it is expected that such balances will be settled by delivery of the underlying product or service.

Cash and cash equivalents. Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Restricted balances are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost using the effective interest rate method.

Value added tax. The sales of goods and services in Ukraine are normally subject to value-added tax ('VAT') at the rate of 20%. A number of the Company's transactions are exempt or not subject to VAT (such as the sale of postage stamps, delivery of pensions, acceptance of payments and money transfers).

The VAT liabilities arise at the date of supply of goods/services or receipt of payments, whichever is earlier. Input VAT is recognised when the VAT invoice is duly registered in the Unified Register of tax invoices. Input VAT incurred by the Company upon purchase of goods and services that can be directly allocated to activities that are subject to VAT is fully recoverable, while input VAT directly related to activities that are exempt from VAT or not subject to VAT is non-recoverable and, thus, constitutes a cost. Input VAT incurred upon purchase of goods/services used in both types of transactions (i.e. which are subject to VAT and VAT-exempt or not subject to VAT) is recognised on a pro-rata basis (i.e. only the portion of VAT related to transactions which are subject to VAT is recovered).

The positive difference between VAT liabilities and input VAT is paid to the budget. VAT related to sales and purchases is recognised in the balance sheet on a net basis and disclosed as an asset or liability to the extent it has been recorded in VAT returns, otherwise it is presented gross.

3 Summary of significant accounting policies (continued)

Share capital. Until 1 March 2017, the Company was registered in the form of state owned entity. It had registered capital but no shares issued. On 1 March 2017, the Company was registered as JSC and its shares have been registered with the regulator. From this date ordinary shares are classified as equity.

When the Company was a state-owned enterprise, the registered capital included a IAS 29 adjustment to account for the effect of inflation when Ukraine was a hyperinflationary economy.

As of the date of the establishment of JSC Ukrposhta, the effect corporatisation was recorded separately. This equity item was calculated as a difference between the registered capital of JSC Ukrposhta and the previous carrying amount of capital of the state-owned enterprise.

Dividends. Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are declared before or on the balance sheet date. Dividends are disclosed when they are declared after the balance sheet date but before the financial statements are authorised for issue.

Classification of financial liabilities. The Company classifies its financial liabilities as other financial liabilities. The Company's financial liabilities are carried at amortised cost.

Borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently carried at amortised cost using the effective interest method. Any difference between the proceeds, net of transaction costs, and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Trade and other payables. Trade and other payables are accrued when the counterparty performs its obligations under the contract. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently carried at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any transaction costs and any discount or premium on settlement.

Advances received. Advances received relate to the amounts received in advance for goods, works or services in the normal course of business. These are carried at amounts originally received net of VAT balances as it is expected that such balances will be settled by delivery of the underlying product or service.

Revenue. Revenue recognised in the income statement is net of value added tax and comprises turnover which principally relates to the rendering of services as follows:

a) Parcels and letters (including international);
b) Delivery of pensions and other social benefits;
c) Payments and money transfers;
d) Subscription and delivery of periodicals; and
e) Sale of merchandise and other services.

Revenue is derived from specific contracts and recognised when the delivery of an item is complete. Contracted services that have not yet been rendered at the balance sheet date are designated as deferred revenue.

Revenue from direct sales of products or services is recognised when services are rendered, goods are delivered and the amount of revenue that will flow to the Company can be measured reliably. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. Where payments are received for a service to be provided over a specified length of time, payments received are recognised as deferred revenue and released to profit and loss over the period that the service is performed.

Revenue derived from deliveries under the International Postal Convention is recognised when the delivery of the related items is complete. Where merchandise is sold under the agency agreements, the commission income is recognised as a receivable at the time of sale and related gross cash receipts are recognised as a liability before the supplier.

3 Summary of significant accounting policies (continued)

Revenue relating to public, retail and business stamp and franking machine sales is recognised when the sale is made at the face value of the stamp, adjusted to reflect a value of stamp held but not used by the customer. Further details on this "deferred revenue" adjustment are provided in the "Critical Accounting Estimates and Judgements in Applying Policies" section below.

Recognition of expenses. Expenses are recognised on an accrual basis. Cost of goods sold and services rendered comprises payroll, depreciation, direct material, transportation and directly attributable overheads.

Finance income and costs. Finance income and costs comprise interest expense on borrowings, interest income on funds invested and foreign exchange gains and losses on deposits and borrowings. All interest and other costs incurred in connection with borrowings are expensed using the effective interest rate method. Interest income is recognised as it accrues, taking into account the effective yield on the asset.

Employee benefits. Wages, salaries, paid annual leave and sick leave and bonuses are accrued in the year in which the associated services are rendered by the employees of the Company. The Company makes Unified contributions on social insurance in respect of its employees. The contributions are calculated as a percentage of current gross salary and are expensed as incurred.

Offsetting. Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

Contingent assets and liabilities. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable. Contingent liabilities are not recognised in the financial statements unless it is probable that an outflow of economic resources will be required to settle the obligation and it can be reasonably estimated. Contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

4 Critical accounting estimates and judgements in applying policies

The preparation of financial statements necessarily requires management to make estimates and assumptions that can have a significant impact on the financial statements. These estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

Deferred revenue. The Company recognises advance customer payments on its balance sheet, predominantly relating to the sale of stamps not used as of the balance sheet date and subscription of periodicals due to be delivered after the year end.

A large portion of this balance is made up of stamps sold to the general public. The valuation of this deferred revenue is based on a number of different estimation and sampling methods using external specialist resource, as appropriate. For these sales, estimates of stamp volumes held on hand were made on the basis of an annual survey performed by an independent third-party where individuals are asked how many stamps they purchased annually and how many stamps they had on hand at the balance sheet date.

The value of stamps held by retail and business customers are more directly estimated through the analysis of actual sales volumes and responses provided by customers to the independent surveyor.

The results of the above procedures are reviewed by management in order to make a judgement of the carrying amount of the accrual. The total accrual is held within current liabilities but a portion (which cannot be measured) will relate to stamps and meter credits used one year or more after the balance sheet date.

4 Critical accounting estimates and judgements in applying policies (continued)

Derecognition of liabilities resulting from operations of the branches in the temporary occupied Crimean territory and uncontrolled parts of the Donetsk and Lugansk regions. During 2014 and previously, the Company's branches located in Crimea and uncontrolled territories of the Donetsk and Lugansk regions ("UCT") signed contracts on supplies of goods and provision of services to maintain ordinary operating activities. In March 2014, the Russian Federation annexed Crimea by using the armed troops and armed separatist forces initiated the conflict in the east of Ukraine where the Company's branches are located. Due to these events, the Company lost control over its branches in Crimea and UCT and was not able to receive any information on operations of these branches.

The annual financial statements of the Company as at 31 December 2014, 31 December 2015 and 31 December 2016 and for the years then ended included the full amount of liabilities resulting from operations of the branches in the occupied Crimean territory and UCT. The amount of these liabilities equalled UAH 111,846 thousand based on the latest available summarised financial information obtained from these branches prior to annexation of Crimea and outbreak of the armed conflict. In the annual financial statements as at 31 December 2017 and for the year then ended, management decided to derecognise the liabilities of UAH 111,846 thousand resulting from operations of the branches in the temporarily occupied Crimea and UCT due to the expiry of the statute of limitations for such liabilities, sufficient time available to counterparts between 2014 and the present day for any claims to be raised, given that travel is allowed between UCT and mainland Ukraine and the absence of legal claims to settle such liabilities, with corresponding recognition of other income. Due to a limited access to supporting documents, accounting records or other information on the above liabilities of the branches, a significant judgement was applied to identify the level of completeness of the liabilities and whether these liabilities meet the derecognition criteria.

5 New accounting pronouncements

The following amended standards became effective for the Company from 1 January 2017, but did not have material impact on the Company.

- Disclosure Initiative – Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017) require disclosure of changes in liabilities arising from financing activities (see Note 15).
- Recognition of Deferred Tax Assets for Unrealised Losses – Amendment to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017).
- Amendments to IFRS 12 included in Annual Improvements to IFRSs 2014-2016 Cycle (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017).

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2018 or later, and which the Company has not early adopted.

IFRS 9 "Financial Instruments: Classification and Measurement" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

5 New accounting pronouncements (continued)

- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a "three stage" approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Company is not expecting a material impact of the new standard on its financial statements.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Company is not expecting a material impact of the new standard on its financial statements.

Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied

The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard. The Company is not expecting a material impact of the new standard on its financial statements.

IFRS 16, Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. It is likely that the Company will need to recognise a number of leased premises on its balance sheet with related liability.

The following other new pronouncements are not expected to have any material impact on the Company when adopted:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).

5 New accounting pronouncements (continued)

- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4 (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach).
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- Transfers of Investment Property – Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

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

6 Revision of the previously issued financial statements

Subsequent to the issuance of the IFRS financial statements for the year ended 31 December 2017 on 23 April 2018, management of the Company identified material errors which required respective adjustments. As such, the current year information has been adjusted accordingly to reflect the effect of these adjustments.

The summary and the effect of the respective changes are presented in the tables and notes below.

Note A. The Company historically recorded income and expense items related to transactions with foreign postal operators with delay. Management has corrected this cut-off error by recording income and expense items attributable to services provided to/received from foreign postal operators in the appropriate reporting period through relevant accruals.

Note B. The amount of assets located in Crimea and in the east of Ukraine has been incorrectly grossed up in the previously issued financial statements. This was corrected to bring the cost of these items and amount of impairment in line with the balances as at 31 December 2016.

Note C. The Company has reclassified customer advance payments which primarily represented customer subscriptions of periodicals, and presented them as deferred revenue. As described in Note 4, management has quantified postage stamps sold but not used by customers as of year-end and recognised these also as deferred revenue.

Note D. Interest on bank borrowings has been reclassified from other current liabilities in short-term bank loans.

Note E. Management decided to recognise a separate reserve for more accurate presentation of the effect of corporatisation on the financial statements. As of the date of the establishment of JSC Ukrposhta, the Effect of corporatisation item was separately recognised in equity (Note 14) to show an increase in the registered capital to the value of the shares issued. Retained earnings accumulated the effect of all adjustments described in this note.

Note F. Other operating expenses increased in 2017 due to impairment of accounts receivable as at 31 December 2017.

Note G. The error has been corrected in relation to the cost of property, plant and equipment together with respective impact on depreciation charge. In its first IFRS financial statements for the year ended 31 December 2013, the Company elected to use the deemed cost to reflect the carrying amount of property, plant and equipment. However, the deemed cost was determined incorrectly. This was identified by the present management of the Company who engaged an independent appraiser to perform fair valuation of the property, plant and equipment items as of the date of IFRS transition, being 1 January 2012. The deemed cost amounts obtained from this exercise have been further adjusted for depreciation and impairment and the carrying amount of property plant and equipment has been restated as of 1 January 2015, being the opening balance for the financial statements for the year ended 31 December 2016.

As of the date of issue of the financial statements for the year ended 31 December 2017, the audit of the financial statements for the year ended 31 December 2016 continued and no approved PP&E valuation report was available, which did not enable to present the final amounts of PP&E items in the financial statements for the year ended 31 December 2017. Given these circumstances, as of the date of issuance of the financial statements for the year ended 31 December 2017, in April of 2018, management decided to apply the simplified approach to presentation of adjustments for revaluation of property, plant and equipment and to use the previous PP&E valuation report. Upon completion of the audit and issuance of the financial statements for the year ended 31 December 2016, detailed adjustments were made to bring the cost of property, plant and equipment in line with the final PP&E valuation report.

In addition, impairment of certain construction in progress items was recorded as at 31 December 2017.

Note H. The deferred tax correction has resulted from the revision of the closing balances as outlined below and also a more accurate calculation of the closing deferred tax liability position as of 31 December 2017.

All tabular amounts in thousands of Ukrainian Hryvnia

6 Revision of the previously issued financial statements (continued)

Some reclassifications have additionally been made in the statement of financial position and the statement of financial results for presentation purposes.

The effect of the corrections on the balance sheet (statement of financial position) as of 31 December 2017 is as follows:

Assets	Line code	31 December 2017 (as previously reported)	Adjustments	31 December 2017 (as restated)
I. Non-current assets				
Intangible assets (Note G)	1000	45,240	(9,275)	35,965
historic cost	1001	132,118	(9,287)	122,831
amortisation	1002	(86,878)	12	(86,866)
Construction in progress (Note G)	1005	307,680	(5,254)	302,426
Property, plant and equipment (Note G)	1010	3,163,663	(3,307)	3,160,356
historic cost	1011	4,425,264	(23,731)	4,401,533
depreciation	1012	(1,261,601)	20,424	(1,241,177)
Investment property (Note G)	1015	14,514	(1,079)	13,435
historic cost	1016	14,514	(1,079)	13,435
depreciation	1017	-	-	-
Other financial investments	1035	12,399	-	12,399
Long-term accounts receivable	1040	522	-	522
Non-current assets on occupied territories (Note B)	1091	812,789	(450,475)	362,314
Impairment allowance for non-current assets on occupied territories (Note B)	1092	(812,789)	450,475	(362,314)
Total Section I	**1095**	**3,544,018**	**(18,915)**	**3,525,103**
II. Current assets				
Inventories	1100	235,736	-	235,736
production stock	1101	136,213	-	136,213
finished goods	1103	7,724	-	7,724
goods for resale	1104	91,799	-	91,799
Accounts receivable for goods, works and services	1125	880,717	(46,059)	834,658
historic cost (Note A)		889,044	(40,867)	848,177
impairment provision (Note F)		(8,327)	(5,192)	(13,519)
Accounts receivable on settlements:				
on advances issued	1130	24,900	-	24,900
with the budget	1135	15,791	-	15,791
including corporate profit tax prepaid	1136	-	-	-
on accrued income	1140	3,732	-	3,732
Other current accounts receivable	1155	120,357	(24,676)	95,681
historic cost (Note A)		120,357	(19,442)	100,915
impairment provision (Note F)		-	(5,234)	(5,234)
Cash and cash equivalents	1165	2,982,647	-	2,982,647
Cash on hand	1166	374,635	-	374,635
Current accounts	1167	2,608,012	-	2,608,012
Other current assets	1190	18,947	-	18,947
Current assets on occupied territories (Note B)	1191	110,240	(483)	109,757
Impairment allowance for current assets on occupied territories (Note B)	1192	(110,240)	483	(109,757)
Total Section II	**1195**	**4,282,827**	**(70,735)**	**4,212,092**
TOTAL ASSETS	**1300**	**7,826,845**	**(89,650)**	**7,737,195**

All tabular amounts in thousands of Ukrainian Hryvnia

6 Revision of the previously issued financial statements (continued)

Liabilities	Line code	31 December 2017 (as previously reported)	Adjustments	31 December 2017 (as restated)
I. Equity				
Registered capital	1400	6,518,597	-	6,518,597
Effect of corporatisation (Note E)	1419	-	(5,254,038)	(5,254,038)
Retained earnings	1420	(3,844,966)	5,379,166	1,534,200
Total Section I	**1495**	**2,673,631**	**125,128**	**2,798,759**
II. Long-term liabilities and provisions				
Deferred tax liabilities (Note H)	1500	209,808	25,592	235,400
Long-term bank borrowings	1510	-	-	-
Other long-term liabilities	1515	27,250	-	27,250
Total Section II	**1595**	**237,058**	**25,592**	**262,650**
III. Current liabilities and provisions				
Short-term bank borrowings (Note D)	1600	303,122	20,756	323,878
Current accounts payable on settlements: for long-term liabilities	1610	38,189	-	38,189
for goods, works and services (Note A)	1615	514,497	(17,872)	496,625
with the budget	1620	60,008	(2,719)	57,289
for insurance	1625	38,906	-	38,906
on payroll	1630	137,355	-	137,355
Current accounts payable on advances received	1635	26,626	-	26,626
Current provisions	1660	222,557	-	222,557
Deferred revenue (Note C)	1665	255,681	31,033	286,714
Other current liabilities (Notes A and D)	1690	3,083,562	(35,915)	3,047,647
Current liabilities on occupied territories (Note B)	1691	235,653	(235,653)	-
Total Section III	**1695**	**4,916,156**	**(240,370)**	**4,675,786**
TOTAL LIABILITIES AND EQUITY	**1900**	**7,826,845**	**(89,650)**	**7,737,195**

All tabular amounts in thousands of Ukrainian Hryvnia

6 Revision of the previously issued financial statements (continued)

The effect of the corrections on the statement of financial results (statement of comprehensive income) for the year ended 31 December 2017 is as follows:

Item	Line code	31 December 2017 (as previously reported)	Adjustments	31 December 2017 (as restated)
Net revenue from sales of goods, works and services (Notes A and C)	2000	5,484,044	(106,791)	5,377,253
Cost of sales of goods, works and services (Note A)	2050	(5,243,970)	45,871	(5,198,099)
Gross:				
Profit	2090	240,074	(60,920)	179,154
Loss	2095	-	-	-
Other operating income (Note A)	2120	179,919	119,936	299,855
Administrative expenses	2130	(364,374)	2,719	(361,655)
Selling expenses	2150	(227,014)	-	(227,014)
Other operating expenses (Note F)	2180	(92,537)	(10,425)	(102,962)
Financial results from operating activities:				
Profit	2190	-	-	-
Loss	2195	(263,932)	51,310	(212,622)
Other financial income	2220	36,902	(1,732)	35,170
Other income	2240	8,097	-	8,097
Financial expenses	2250	(34,802)	-	(34,802)
Other expenses (Note G)	2270	(58)	(15,225)	(15,283)
Financial results before taxation:				
Profit	2290	-	-	-
Loss	2295	(253,793)	34,353	(219,440)
Income tax expense (Note H)	2300	50,976	(9,016)	41,960
Net financial result:				
Profit	2350	-	-	-
Loss	2355	(202,817)	25,337	(177,480)

The Cash flow statement for the year ended 31 December 2017 that was filed with the regulator in April 2018 has been prepared under the direct method. In its IFRS financial statements for the year ended 31 December 2016 that have been revised in August 2018 the Company changed the accounting policies to present the Cash flow statement under the indirect method. As such the Company's revised Cash flow statement for the year ended 31 December 2017 has been presented under the indirect method. The revised cash flows from operating, investing and financing activity do not differ significantly from the amounts presented under the direct method.

7 Balances and transactions with related parties

The Company is a 100% state-owned entity managed by the Ministry of Infrastructure of Ukraine. The Company's ultimate controlling party is Ukrainian government and therefore all entities controlled by the government are treated as related parties under common control. Related parties also include central government authorities, including the Cabinet of Ministers of Ukraine, industry ministries, judicial authorities, state owned/controlled enterprises and entities jointly controlled or significantly influenced by the government.

Transactions with related parties are conducted on general terms similar to those available to unrelated parties and include primarily such services as delivery of written correspondence, delivery of pensions and other social benefits to individuals payable from the central and local budgets, subscription and delivery of periodicals, delivery of parcels, receipt of third party payments and some money transfers. During both periods presented, the Company was engaged by the State Pension Fund of Ukraine for delivery of pensions to individuals. Please refer to Note 20 for the summary of revenue from this activity.

As at 31 December 2016 and 2017, practically all of the Company's bank balances are held with three state owned banks in Ukraine (Note 12).

In November 2014, the NBU introduced temporary administration at PJSC "VBR" and appointed the Deposit Guarantee Fund as the legal successor and manager of the bank. Therefore, at 31 December 2017, the short-term bank borrowings of UAH 319,178 thousand (31 December 2016: UAH 290,973 thousand) are owed to a related party of the Company.

Key management is considered to be the General Director of the Company (Acting General Director) and his closest management team, being the two deputies responsible for operations and finances, respectively. In 2017, the total compensation to key management personnel amounted to UAH 16,572 thousand (2016: key management being the General Director with total compensation of UAH 2,521 thousand). The compensation to key management personnel consisted of short-term salaries and bonus payments.

8 Segment information

For their decision-making purposes, the General Director of the Company and his management team review internal revenue reports of each of the following four businesses areas.

- postal services (including retail and corporate customers)
- financial services (including pension delivery, money transfers and third party payments)
- retail (including commission sales and own merchandise)
- other services

These business areas provide different services and use different technologies and market strategies and as such are managed separately.

The Company's costs are not allocated to the above business areas therefore their performance is not evaluated separately. The General Director evaluates performance for the Company as a whole. On this basis the management concluded that the Company operates in one segment, being provision of postal and related services.

The Company's sources and geography of revenue are disclosed in Note 0. All non-current assets of the Company are located in Ukraine.

Major customers

During 2017 and 2016, the only customer that represented more than 10% of the Company's total revenue was the Pension Fund of Ukraine. The Pension Fund comprises over 600 regional directorates, each of which signed service agreements with the Company units. The revenue received as remuneration for the delivery of pensions and other social benefits in 2017 totalled UAH 1,376,058 thousand (2016: UAH 1,263,368 thousand).

All tabular amounts in thousands of Ukrainian Hryvnia

9 Property, plant and equipment and construction in progress

Movement in the carrying amounts of property, plant and equipment and construction in progress is as follows:

	Buildings and structures	Plant and equipment	Vehicles	Office furniture and equipment	Total property, plant and equipment	Construction in progress
At 1 January 2016						
Historical cost	3,273,973	449,818	153,414	230,062	4,107,267	121,318
Accumulated depreciation and impairment	(305,163)	(294,623)	(113,461)	(202,717)	(915,964)	-
Carrying amount at 1 January 2016	**2,968,810**	**155,195**	**39,953**	**27,345**	**3,191,303**	**121,318**
Additions	-	-	-	-	-	184,788
Transfers	30,224	72,482	4,347	42,616	149,669	(149,669)
Disposals at cost	(16,274)	(14,529)	-	(15,554)	(46,357)	-
Disposal of accumulated depreciation	1,356	11,851	-	15,393	28,600	-
Depreciation charge and impairment	(80,398)	(53,576)	(7,860)	(20,622)	(162,456)	(1,968)
At 31 December 2016						
Historical cost	3,287,923	507,771	157,761	257,124	4,210,579	154,469
Accumulated depreciation and impairment	(384,205)	(336,348)	(121,321)	(207,946)	(1,049,820)	-
Carrying amount at 31 December 2016	**2,903,718**	**171,423**	**36,440**	**49,178**	**3,160,759**	**154,469**
Additions	-	-	-	-	-	357,649
Transfers	4,372	54,204	91,434	44,346	194,356	(194,356)
Disposals at cost	(1,652)	-	-	-	(1,652)	-
Disposal of accumulated depreciation	181	-	-	-	181	-
Transfers to investment property	(1,750)	-	-	-	(1,750)	-
Depreciation charge and impairment	(85,382)	(54,138)	(14,635)	(37,383)	(191,538)	(15,336)
At 31 December 2017						
Historical cost	3,288,893	561,975	249,195	301,470	4,401,533	302,426
Accumulated depreciation and impairment	(469,406)	(390,486)	(135,956)	(245,329)	(1,241,177)	-
Carrying amount at 31 December 2017	**2,819,487**	**171,489**	**113,239**	**56,141**	**3,160,356**	**302,426**

Construction in progress mainly consists of construction and refurbishment of buildings and structures and purchased property, plant and equipment items not yet put into operation. Upon completion, assets are transferred to a respective group of property, plant and equipment.

All tabular amounts in thousands of Ukrainian Hryvnia

9 Property, plant and equipment and construction in progress (continued)

Up until 1 March 2017, the title to all of the Property, Plant and Equipment and Construction in Progress items which were managed and used by the Company in its business activity was registered in the name of the government of Ukraine. In accordance with Article 73 of the Commercial Code of Ukraine, the property of a government-owned entity belongs to the government and is assigned to such entity on the right of business or operational management. Therefore, the property legally remained in the government ownership. However, by its substance, the arrangement between the Company and government conveys the right to use such items for an unlimited period of time (until they are fully depreciated, completely worn out or destroyed - the government does not retain any element of risk relating to the assets' residual value at the end of their useful lives) and obtain economic benefits from the use of assets. On this basis, the Company recognised such items of Property, Plant and Equipment and Construction in Progress in its financial statements.

The total depreciation charge for the years ended 31 December is presented as follows:

	Note	31 December 2017	31 December 2016
Cost of sales of goods, works and services	21	169,582	153,058
Administrative expenses	23	10,875	3,886
Selling expenses	22	2,878	1,279
Other operating expenses	24	8,203	4,233
Total depreciation charge		**191,538**	**162,456**

During 2017, the Company acquired property, plant and equipment (vehicles and computer equipment) under finance leases agreements in the total amount of UAH 90,676 thousand with the down payment of UAH 34,000 thousand. As at 31 December 2017, the net carrying value of these items of property, plant and equipment held under financial lease arrangements, totalled UAH 90,172 thousand (31 December 2016: nil), these are predominantly classified as Office furniture and equipment.

10 Inventories

	31 December 2017	31 December 2016
Raw materials	136,213	92,119
Goods for resale	91,799	39,193
Finished goods and work in progress	7,724	6,781
Total inventories	**235,736**	**138,093**

Raw materials are represented mainly by automobile fuel and sundry materials used during postal operations.

The increase in the balances of goods for resale is attributable to the decrease in the share of merchandise sold under agency agreements and the increase in the share of goods purchased for resale.

All tabular amounts in thousands of Ukrainian Hryvnia

11 Accounts receivable for goods, works and services, advances issued and other current accounts receivable

	31 December 2017	31 December 2016
Accounts receivable for goods, works and services	848,177	717,586
Less impairment provision	(13,519)	(8,364)
Other current accounts receivable	100,915	65,087
Less impairment provision	(5,234)	(61)
Total financial accounts receivable	**930,339**	**774,248**
Advances issued	24,900	18,709
Other receivables	19,523	19,858
Total trade and other receivables	**974,762**	**812,815**

As at 31 December 2017 and 2016, UAH 716,197 thousand and UAH 620,150 thousand, respectively, of financial accounts receivable are denominated in SDR. The remaining financial receivables are denominated predominantly in UAH. Accounts receivable for goods, works and services comprise mainly due balances from postal operators in other countries and from a number of government controlled entities and agencies in Ukraine.

Movement in the allowance for doubtful debts for financial accounts receivable for the years ended 31 December 2017 and 31 December 2016 was as follows:

	Accounts receivable for goods, works and services	Other current accounts receivable
Allowance for doubtful debts at 1 January 2016	**(6)**	**(10)**
Allowance accrued during the year	(8,358)	(51)
Accounts receivable written off during the year	-	-
Allowance for doubtful debts at 31 December 2016	**(8,364)**	**(61)**
Allowance accrued during the year	(5,155)	(5,173)
Accounts receivable written off during the year	-	-
Allowance for doubtful debts at 31 December 2017	**(13,519)**	**(5,234)**

All tabular amounts in thousands of Ukrainian Hryvnia

11 Accounts receivable for goods, works and services, advances issued and other current accounts receivable (continued)

Analysis by credit quality of financial accounts receivable is as follows:

	31 December 2017		31 December 2016	
	Accounts receivable for goods, works and services	Other current accounts receivable	Accounts receivable for goods, works and services	Other current accounts receivable
Neither past due nor impaired – exposure to:				
- Postal operators of other countries	749,040	30,937	632,633	24,772
- Governmental institutions and state owned enterprises	39,784	12,043	39,046	9,671
- Utility entities	21,343	4,144	17,653	524
- Other entities	18,427	44,906	12,065	21,461
Total neither past due nor impaired	**828,594**	**92,030**	**701,397**	**56,428**
Past due and individually determined to be impaired:				
- less than 30 days overdue	-	-	660	810
- 30 to 180 days overdue	2,045	4	1,736	2,810
- 181 to 360 days overdue	5,305	238	2,669	1,396
- over 360 days overdue	12,233	8,643	11,124	3,643
Total past due or individually determined to be impaired	**19,583**	**8,885**	**16,189**	**8,659**
Less allowance for doubtful debts	(13,519)	(5,234)	(8,364)	(61)
Total	**834,658**	**95,681**	**709,222**	**65,026**

Accounts receivable for goods, works and services is non-interest-bearing. Accounts receivable from counterparties in Ukraine are generally settled within 60 days.

The Company is a member of the Universal Postal Union (UPU). The Company provides services to other foreign postal operators by delivering letters/parcels to end recipients in Ukraine. The value of such services is regulated by Universal Postal Convention. Receivables from postal operators of other countries are generally settled from six months to two years.

All tabular amounts in thousands of Ukrainian Hryvnia

12 Cash and cash equivalents

Cash and cash equivalents comprise amounts held physically in cash, bank balances available on demand and cash in transit.

	31 December 2017	31 December 2016
Bank balances payable on demand	2,608,012	1,276,270
Including:		
General purpose bank accounts	869,690	975,778
Designated purpose bank accounts	1,738,322	300,492
Cash on hand	374,635	283,143
Total cash and cash equivalents	**2,982,647**	**1,559,413**

Designated purpose bank accounts are represented by cash received from the State Pension Fund and other social institutions with the defined purpose for delivery of pensions and other social benefits to individuals.

As at 31 December 2017, 91% of cash and cash equivalents was denominated in UAH, 8% in USD and 1% in EUR (31 December 2016: 73% cash and cash equivalents was denominated in UAH and 27% in USD).

The credit quality of cash and cash equivalents may be summarised on the basis of Moody's Investors Service's ratings as follows:

	31 December 2017	31 December 2016
	Bank balances payable on demand	
Neither past due nor impaired		
Ba1	-	224
Caa2	2,362,877	-
Caa3	13,496	683,895
Ca	-	2,600
Unrated	231,639	589,551
Total	**2,608,012**	**1,276,270**

At 31 December 2017, the bank balances payable on demand in the amount of UAH 2,595,748 thousand (31 December 2016: bank balances payable on demand in the amount of UAH 1,270,256 thousand) were held with three large Ukrainian government-owned banks.

13 Assets and liabilities on occupied territories

Russian troops occupied Crimea in late February 2014 and on 1 March 2014 the Russian parliament granted approval for the use of armed forces in Ukraine. On 16 March 2014 the so-called referendum was held in Crimea on its secession from Ukraine and on 18 March 2014 Russia signed a treaty with Crimea to annex the territory to Russia. Few countries other than Russia have recognised the so-called referendum and the annexation.

Further, in 2014 armed separatist forces obtained control over parts of the Donetsk and Lugansk regions in the east of Ukraine. The government of Ukraine launched the anti-terrorist operation which continues to date. In 2017 from time to time there was some escalation of military confrontation along the line of contact of the conflicting parties, although to a much lesser level than in 2015.

The Company owns assets and recognises liabilities located in or near to, the parts of the Donetsk and Lugansk regions where there has been armed conflict and in Crimea. Since various dates in 2014, the Company was neither able to carry its operations using these assets nor return them to the territory controlled by the Ukrainian government.

In this respect, the Company has grouped related assets and recognised an impairment provision for the total amount of assets located on occupied territories (both in Crimea and in the east of Ukraine) on 31 December 2017 and 31 December 2016.

As at 31 December 2016, related liabilities were not derecognised as the Company had legal obligation to settle amounts due to customers and other authorities. How, when or whether these obligations could be settled was uncertain. They were recognised at their nominal carrying amount.

As at 31 December 2017, management decided to derecognise the liabilities of UAH 111,846 thousand resulting from operations of branches in the temporarily occupied Crimean and uncontrolled territory due to the expiry of the statute of limitations for such liabilities and the lack of claims on settlement of such liabilities, with corresponding recognition of other income (Note 4).

14 Share capital

As at 31 December 2016, the Company was registered in the form of a state-owned enterprise as defined by the law of Ukraine. In March 2017, Ukrposhta was registered as a JSC with 100% shares held by the State of Ukraine. JSC Ukrposhta is a legal successor of the state-owned enterprise. The Company's immediate supervising entity from the government was the Ministry of Infrastructure of Ukraine. The formal ownership is with the State Property Fund of Ukraine, which has title to 100% of the share capital of the Company.

In March 2017, the government of Ukraine completed reorganisation of the Company from a state-owned entity into a joint stock company. The process of reorganisation into a joint stock company was based on the Restructuring Plan approved by the order of the Ministry of Infrastructure. The reorganisation was completed by corporatisation and registration as a JSC with 6,518,597 authorised and outstanding ordinary shares with the nominal value of UAH 1,000 per share. 100% shares are unlisted, untraded, held by the state of Ukraine and are not subject to disposal.

An independent appraiser was engaged to perform a valuation of JSC Ukrposhta shares, who conducted the valuation of the fair value of assets and liabilities of the Company in accordance with the share valuation guidance developed by the State Property Fund of Ukraine. The value of the share capital was estimated as the fair value of assets less fair value of liabilities as at the valuation date. The fair valuation is required by the rules of corporatisation to enable government to determine the value of the share capital of the new business entity. As the new entity, JSC Ukrposhta, represents the continuation of the existing business, assets and liabilities of its predecessor, the fair value of assets and liabilities referred to above could not be presented in the financial statements of the Company. Therefore, the effect of establishment of the new entity's share capital was presented as effect of corporatisation in the amount of UAH 5,254,038 thousand as a separate reserve in equity.

As at 31 December 2017, the net assets totalling UAH 2,798,759 thousand were lower than the Company's registered share capital of UAH 6,518,597 thousand. The Civil Code of Ukraine (the Code) requires that net assets are maintained at the amount higher than registered share capital. Under the Code, the Company has 2 years to rectify this situation. If not rectified, the Code requires to reduce the amount of registered share capital. Management believes that such non-compliance will not lead to any material adverse effects on the Company's operations or financial statements.

All tabular amounts in thousands of Ukrainian Hryvnia

15 Borrowings

The carrying amount of borrowings is as follows:

	31 December 2017	31 December 2016
Term loan	319,178	290,973
Bonds	4,700	-
Total borrowings	**323,878**	**290,973**

USD-denominated term loan

Cash and non-cash movements in borrowings for the period are presented in the table below:

	2017	2016
Opening balance as at 1 January	**290,973**	**256,826**
Monetary movements		
New borrowings obtained	4,700	-
Interest paid	(5,963)	(22,809)
Non-monetary movements		
Interest accrued during the period	23,746	22,649
Foreign exchange expense accrued during the period	8,560	27,528
Penalties accrued during the period	1,862	6,779
Closing balance as at 31 January	**323,878**	**290,973**

In December 2013, the Company signed a credit line facility with PJSC "VBR" (hereinafter – "Lender") for a total amount of USD 22,893 thousand. The facility bears a fixed interest rate at 10.5% per annum (2016: 10.5%) and matures in December 2018. As at 31 December 2017 and 31 December 2016, the drawn portion of the facility amounted to USD 8,500 thousand.

According to the credit line facility, cash proceeds generated from the service contracts with the Post of Poland and Post of Slovakia should have been pledged not later than three months after the facility signing date. To this date, there is no collateral pledged by the Company.

As at 31 December 2017 and 31 December 2016, the Company was in default under this credit facility. Therefore, the lender has the right to call this debt at any moment in time. In addition, the proceeds from this facility were used by the Company for other purposes than required by the credit facility. Due to this, the Company accrued a penalty in the amount of 25% of the debt principal totalling UAH 59,851 thousand as at 31 December 2017 (31 December 2016: UAH 57,781 thousand). The accrued penalty is presented together with the debt principle in the balance sheet.

In November 2014, the NBU introduced temporary administration at PJSC "VBR" and appointed the Deposit Guarantee Fund as the legal successor and manager of the bank. According to the current laws and regulations, the Deposit Guarantee Fund is eligible to sell off the property rights on loan agreements of the Lender. Refer to Note 31 for information about settlement of the debt.

The fair value of the term loan approximates its carrying amount.

Finance Leases

During 2017, the Company signed a number of finance lease agreements in the amount of UAH 108,810 thousand, including VAT, to acquire computer hardware and upgrade its cargo vehicles used for interregional and domestic transportation, with the down payment of UAH 40,800 thousand. The Company recognised UAH 68,010 thousand as finance lease liabilities. Finance lease liabilities are collateralised by the leased property, plant and equipment. The amount payable under these agreements will be settled in instalments during 2018-2020. As at 31 December 2017, the balance of finance lease payables totals UAH 63,820 thousand, of which UAH 25,631 thousand is presented in non-current liabilities and UAH 38,189 thousand - in current accounts payable on settlements for long-term liabilities.

All tabular amounts in thousands of Ukrainian Hryvnia

15 Borrowings (continued)

Cash and non-cash movements in finance leases for the period are presented in the table below:

	2017	2016
Opening balance as at 1 January	-	-
Non-monetary movements		
New leases acquired	68,010	-
Interest accrued during the period	2,071	-
Monetary movements		
Monthly instalments paid	(4,190)	-
Interest paid	(2,071)	
Closing balance as at 31 January	**63,820**	-

The future minimum lease payments and the present value of lease payments are presented as follows:

	2017		2016	
	Minimum lease payments	**Present value of lease payments**	**Minimum lease payments**	**Present value of lease payments**
Not later than 1 year	49,437	38,189	-	-
Later than 1 year and not later than 5 years	30,738	25,631	-	-
Later than 5 years	-	-	-	-
Total minimum lease payments	80,175	63,820	-	-
Less future finance costs	(16,355)	-	-	-
Present value of minimum lease payments	63,820	63,820	-	-

16 Trade accounts payable

Trade payables are represented mainly by obligations due to other postal operators and sundry payables.

As at 31 December 2017, 59% of trade payables is denominated in SDR and 41% in UAH (31 December 2016: 62% of trade payables is denominated in SDR and 38% in UAH).

Trade accounts payable represent unsecured financial liabilities. Accounts payable to counterparties in Ukraine are generally settled within 60 days of recognition.

The Company is a member of the Universal Postal Union. The Company uses services of other foreign postal operators who deliver letters/parcels with origination in Ukraine to end recipients abroad. The cost of such services is regulated by Universal Postal Convention. Payables to postal operators of other countries are generally settled within 6 months to 2 years.

The fair value of trade payables approximates their carrying amount.

All tabular amounts in thousands of Ukrainian Hryvnia

17 Accruals and other provisions

	31 December 2017	31 December 2016
Accrued unused vacation	192,367	119,525
Accrued bonuses	20,473	31,777
Other accruals and provisions	9,717	8,702
Total accruals and other provisions	**222,557**	**160,004**

The accrued unused vacation is expected to be substantially utilised over twelve months from the balance sheet date. The accrued bonuses are payable within three months from the balance sheet date.

18 Deferred revenue

Deferred revenue comprises the following items:

	31 December 2017	31 December 2016
Delivery of periodicals	186,457	143,256
Unused postage stamps	97,355	66,322
Other	2,902	2,936
Total deferred revenue	**286,714**	**212,514**

Unused postage stamps represent advance payments for stamps purchased by the general public and business entities but not yet used at the balance sheet date. The valuation of this deferred revenue is based on a number of different estimation and sampling methods using external specialist resource as appropriate (see Note 4).

19 Other current liabilities

Other current liabilities consist of the following payables:

	31 December 2017	31 December 2016
Advanced pensions and other social payments	1,766,257	239,473
Amounts due to publishers	469,706	578,587
Collected amounts due to utility companies	404,288	230,032
Money transfers due to customers	270,904	142,151
Amounts due for sold merchandise	103,369	88,022
Other	33,123	63,350
Other current liabilities	**3,047,647**	**1,341,615**

Other current liabilities are unsecured financial liabilities that are largely denominated in UAH and are usually paid within 60 days of recognition.

The fair value of other current liabilities approximates their carrying amount.

Advanced pensions and other social payments is a liability for cash received by the Company to effect delivery of pensions and other social benefits which have not yet been delivered.

All tabular amounts in thousands of Ukrainian Hryvnia

20 Revenue from sales of goods, works and services

Revenue from sales of goods, works and services for the year ended 31 December comprised the following:

	2017	2016
Provision of postal services	**2,394,434**	**1,999,533**
Letters	1,053,821	781,527
Delivery of parcels, small packages	666,619	534,732
International postal exchange	574,478	642,199
Other postal services	99,516	41,075
Delivery of pensions and other social payments	**1,376,058**	**1,263,368**
Financial services	**742,780**	**642,788**
Utility payments	536,394	442,402
Postal money transfers	206,386	200,386
Sale of goods and other services	**531,792**	**391,606**
Revenue from trading activity – own goods and commission goods	375,997	269,558
Other	155,795	122,048
Subscription and distribution of periodicals	**332,189**	**293,281**
Total revenue from sales of goods, works and services	**5,377,253**	**4,590,576**

Revenues are generated from the following geographical areas*:

	2017	2016
Ukraine	4,769,164	3,898,426
China	242,265	279,577
Russia	80,015	88,816
Other countries	285,809	323,757
Total revenue	**5,377,253**	**4,590,576**

* geography is presented by the location of the counterparty to which the Company delivers a service.

All tabular amounts in thousands of Ukrainian Hryvnia

21 Cost of sales of goods, works and services

Cost of sales of goods, works and services for the year ended 31 December comprised the following:

	2017	2016
Salaries and wages	2,891,585	2,208,447
Social contributions	710,039	488,854
Material costs	494,303	485,957
Costs paid to foreign postal operators	384,728	327,728
Depreciation and amortisation	173,065	156,506
Bank commissions	82,176	67,019
Change in inventories of finished goods and work in progress	(943)	(820)
Other	463,146	372,512
Total cost of sales of goods, works and services	**5,198,099**	**4,106,203**

22 Selling expenses

Selling expenses for the year ended 31 December comprised the following:

	2017	2016
Salaries and wages	158,379	109,109
Social contributions	36,215	23,010
Advertising expenses	24,869	1,446
Depreciation and amortisation	2,878	1,279
Material costs	2,868	3,375
Other	1,805	2,409
Total selling expenses	**227,014**	**140,628**

23 Administrative expenses

Administrative expenses for the year ended 31 December comprised the following:

	2017	2016
Salaries and wages	269,311	144,423
Social contributions	45,855	26,198
Depreciation and amortisation	10,875	3,886
Obligatory payments, taxes and fees	9,620	5,640
Business trips	7,187	5,700
Material costs	5,519	5,598
Storage costs	1,749	2,158
Communication services	683	2,422
Other	10,856	7,659
Total administrative expenses	**361,655**	**203,684**

All tabular amounts in thousands of Ukrainian Hryvnia

24 Other operating expenses

Other operating expenses for the year ended 31 December comprised the following:

	2017	2016
Salaries and wages	21,044	25,703
Social contributions	15,703	12,862
Payments to trade union	22,067	15,822
Depreciation and amortisation	8,203	4,233
Inventory shortages	3,318	10,075
Fines and penalties	802	4,732
Impairment of assets on occupied territories	-	165,186
Charges to doubtful debt provision	10,328	8,358
Other	21,497	8,764
Total other operating expenses	**102,962**	**255,735**

25 Financial expenses

Financial expenses for the year ended 31 December comprised the following:

	2017	2016
Interest expense on term loans	26,229	24,958
Net exchange losses on foreign currency borrowings	8,573	33,895
Total financial expenses	**34,802**	**58,853**

26 Other operating income

Other operating income for the year ended 31 December comprised the following:

	2017	2016
Foreign exchange gains less losses	116,918	75,007
Derecognition of current liabilities on occupied territories	111,846	-
Funding from the Universal Postal Union	23,367	-
Reimbursement of utilities from tenants	14,323	14,380
Operating lease of assets	14,208	11,365
Other	19,192	21,632
Total other operating income	**299,855**	**122,384**

All tabular amounts in thousands of Ukrainian Hryvnia

27 Income tax

	2017	2016
Current income tax expense	-	19,931
Deferred income tax benefit	(41,960)	(19,340)
Income tax (benefit)/expense for the year	**(41,960)**	**591**

The Company is subject to taxation in Ukraine. In 2017 and 2016, Ukrainian corporate income tax was levied on taxable income less allowable expenses at the rate of 18%.

	2017	2016
Loss before tax	**(219,440)**	**(59,795)**
Statutory income tax rate	**18%**	**18%**
Theoretical tax credit at the statutory tax rate	**(39,499)**	**(10,763)**
Revision of valuation of previously recognised liability	(6,614)	-
Effect of non-deductible expenses	4,153	6,723
Non-taxable profits	-	4,631
Income tax (benefit)/expense for the year	**(41,960)**	**591**

All tabular amounts in thousands of Ukrainian Hryvnia

27 Income tax (continued)

	1 January 2017	Charged through profit and loss	31 December 2017
Tax effect of deductible/(taxable) temporary differences			
Current assets on occupied territories	33,361	(33,361)	-
Trade and other payables	23,191	(4,896)	18,295
Deferred revenue	11,938	5,586	17,524
Short-term bank borrowings	10,401	335	10,736
Intangible assets	5,564	(2,841)	2,723
Construction in progress	-	3,254	3,254
Other current accounts receivable	1,891	2,551	4,442
Tax loss carried forward	-	33,363	33,363
Deferred tax asset	**86,346**	**3,991**	**90,337**
Less offsetting with deferred tax liability	(86,346)	(3,991)	(90,337)
Recognised deferred tax asset	**-**	**-**	**-**
Property, plant and equipment and investment property	(276,675)	17,046	(259,629)
Accounts receivable	(73,206)	7,098	(66,108)
Current liabilities on occupied territories	(13,515)	13,515	-
Other current accounts	(310)	310	-
Deferred tax liability	**(363,706)**	**37,969**	**(325,737)**
Less offsetting with deferred tax assets	86,346	3,991	90,337
Recognised deferred tax liability	**(277,360)**	**41,960**	**(235,400)**

All tabular amounts in thousands of Ukrainian Hryvnia

27 Income tax (continued)

	1 January 2016	Charged through profit and loss	31 December 2016
Tax effect of deductible/(taxable) temporary differences			
Current assets on occupied territories	34,080	(719)	33,361
Trade and other payables	6,540	16,651	23,191
Deferred revenue	10,387	1,551	11,938
Short-term bank borrowings	9,180	1,221	10,401
Intangible assets	6,262	(698)	5,564
Other current accounts receivable	12,582	(10,691)	1,891
Deferred tax asset	**79,031**	**7,315**	**86,346**
Less offsetting with deferred tax liability	(79,031)	(7,315)	(86,346)
Recognised deferred tax asset	-	-	-
Property, plant and equipment and investment property	(310,475)	33,800	(276,675)
Accounts receivable	(50,486)	(22,720)	(73,206)
Current liabilities on occupied territories	(14,080)	565	(13,515)
Other current accounts	(690)	380	(310)
Deferred tax liability	**(375,731)**	**12,025**	**(363,706)**
Less offsetting with deferred tax assets	79,031	7,315	86,346
Recognised deferred tax liability	**(296,700)**	**19,340**	**(277,360)**

28 Contingencies and commitments

Tax legislation. Ukrainian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant regional and state authorities. Recent events within Ukraine suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances, reviews may cover longer periods.

Ukrainian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances, reviews may cover longer periods.

Environmental matters. The enforcement of environmental regulation in Ukraine is evolving and the position of government authorities is continually being reconsidered. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities of environmental damage.

Revision to Tax Code.

In 2016 certain amendments to the Tax Code were adopted with effect from 1 January 2017, which include possibility to expense receivables write-off in tax accounting, which was not allowed before. This, among other reasons, led to restoration of deferred tax assets on allowance for trade receivables.

Amendments to the Tax Code in 2017 and 2018 did not have a significant impact on the Company.

UCT liabilities. As disclosed in Note 10, the Company derecognised liabilities resulting from operations of the branches in the temporary occupied Crimean territory and uncontrolled parts of the Donetsk and Lugansk regions. While such liabilities may be subject to future collection claims, management assesses the likelihood of such events as relatively minor and remote.

All tabular amounts in thousands of Ukrainian Hryvnia

29 Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including price risk, currency risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits and then ensure that exposure to risks stays within these limits.

Risk management is carried out by the central treasury department working closely with the operating units, under policies approved by the management board. The Company treasury identifies, evaluates and proposes risk management techniques to minimise these exposures.

Credit risk. The Company takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from exposure to banks in which the Company deposit its cash and cash equivalents, and credit exposures to the Company's customers as a result of outstanding receivables.

The credit risk exposure is monitored and analysed on a case-by-case basis. Credit evaluations are performed for all customers requiring credit over a specified amount.

Management reviews the ageing analysis of outstanding trade receivables and follows up on past due balances. Management, therefore, considers it appropriate to provide ageing and other information about credit risk in these financial statements.

The maximum amount exposed to credit risk at the reporting date is UAH 3,538,351 thousand (31 December 2016: UAH 2,050,518 thousand) being the carrying amount of financial trade and other receivables and cash balances held in banks. The Company does not hold any collateral as security.

Management believes that credit risk is appropriately reflected in the impairment allowances recognised against assets.

Credit risks concentration. The Company is exposed to concentrations of credit risk. Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to counterparties with aggregated balances in excess of 10% of total trade receivables amount.

The table below shows the balance of the major counterparties at the balance sheet date.

Counterparty	Classification in balance sheet	31 December 2017	31 December 2016
PJSC "State Savings Bank of Ukraine"*	Cash and cash equivalents	2,350,612	678,259
PJSC JSB "Ukrgasbank"*	Cash and cash equivalents	231,383	589,397
China Post	Trade and other receivables	496,258	397,662
Singapore Post	Trade and other receivables	52,834	45,045
The Netherlands Post (PostNL)	Trade and other receivables	55,011	31,888

* These banks are state-owned and rank in the top 5 Ukrainian banks by the size of total assets and capital (per the National Bank of Ukraine).

Market risk. The Company takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies, and (b) interest bearing assets and liabilities, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a regular basis. However, the use of this approach does not prevent losses outside of these limits in the event of significant market movements.

Sensitivities to market risks disclosed below are based on a change in one factor while holding all other factors constant. In practice, this is unlikely to occur and changes in some of the factors may be correlated – for example, changes in interest rates and changes in foreign currency rates.

All tabular amounts in thousands of Ukrainian Hryvnia

29 Financial risk management (continued)

Currency risk. The Company primarily operates within Ukraine and accordingly its exposure to foreign currency risk is determined mainly by borrowings, cash balances and deposits, which are denominated in USD or EUR, and accounts receivable and accounts payable denominated in SDR. Increased domestic uncertainty led to a volatility in the currency exchange market and resulted in significant downward pressure on the Ukrainian Hryvnia relative to major foreign currencies.

The table below summarises the Company's exposure to the USD and SDR exchange rate risk at the end of the reporting periods:

	31 December 2017	31 December 2016
Monetary financial assets	1,050,547	1,053,655
Monetary financial liabilities	(610,916)	(460,457)
Net balance sheet position	439,631	593,198

Because of this exposure, if the SDR and USD were to strengthen or weaken by 20 percent against the UAH, it would increase or decrease the Company's net financial result by UAH 72,099 thousand, respectively (31 December 2016: UAH 97,285 thousand).

Reasonably possible changes in exchange rates of other currencies would not materially impact the Company's financial results.

Interest rate risk. The Company's interest rate risk arises from bank borrowings. The Company is not exposed to cash flow interest rate risk because it has no borrowings at variable interest rates. Borrowings at fixed rate expose the Company to fair value interest rate risk. The Company is not actively managing its interest rate risk exposure as it is believed to be insignificant.

The maturity dates and effective interest rates of borrowings are disclosed in Note 15. Re-pricing for fixed rate financial instruments occurs at maturity.

Reasonably possible changes in market interest rates would not materially impact the Company's financial results.

Price risk. The Company is not exposed to price risk with respect to its financial statements because it has no significant investment in securities and financial instruments that would be subject to price risk.

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and other liquid financial instruments to meet existing obligations as they fall due. Currently liquidity maintenance of the Company is affected through control over accounts receivable and payable balances, and amounts spent on capital expenditure business transformation programs.

The table below shows the Company's liabilities by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows.

The maturity analysis of financial liabilities at 31 December 2017 is as follows:

	Less than 3 months	3 months to 1 year	1 to 5 years
Liabilities			
Other current liabilities	3,047,647	-	-
Trade accounts payable	496,625	-	-
Borrowings	319,178	4,700	-
Finance leases	13,121	36,316	30,738
Total future payments, including principal and interest	**3,876,571**	**41,016**	**30,738**

All tabular amounts in thousands of Ukrainian Hryvnia

29 Financial risk management (continued)

The maturity analysis of financial liabilities at 31 December 2016 is as follows:

	Less than 3 months
Liabilities	
Other current liabilities	1,341,615
Trade accounts payable	274,830
Borrowings	290,973
Current liabilities on occupied territories	111,846
Total future payments, including principal and interest	**2,019,264**

30 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. At the present time, the Company does not have a formal capital management policy.

31 Subsequent events

Bonds. During 2017, the Company registered an issue of interest-bearing ordinary bonds with the face value of UAH 100 thousand per bond. The placement of bonds on a Ukrainian stock exchange commenced in December 2017 and was completed during 2018.

The total value of the bond issue is as follows:

- A series: UAH 150,000 thousand (maturity in November 2020, redemption option in November 2018 and November 2019)
- B series: UAH 200,000 thousand (maturity in May 2022, redemption option in November 2019 and November 2020)
- C series: UAH 250,000 thousand (maturity in November 2023, redemption option in November 2019 and November 2021)

The bonds bear a coupon rate of 19% until the first redemption option. November 2018 was the redemption option date for A series bonds. No bonds were presented for redemption on the redemption option date. The coupon rate on these bonds remained at 19%. No early redemption is available, other than on the predetermined dates above. During 2018, UAH 595,300 thousand was raised from placement of A, B and C series bonds. Proceeds from placement of the bonds were used to boost the Company's core business, in particular, to finance repairs and replacement of postal service assets and acquisition of vehicles and computer equipment. In addition, during 2018, the Company repurchased some bonds. The balance outstanding as at 31 December 2018 totalled UAH 112,627 thousand.

Loan. In September 2018, the Company completed negotiating settlement with the third party, which acquired the debt from the Ukraine's Deposit Guarantee Fund. Based on the results of the negotiations, the debt was repaid in the amount of USD 8,364 thousand (UAH 235,238 thousand) and a gain on extinguishment of liabilities in the amount of UAH 111,108 thousand was recognised in 2018.

Finance lease. During 2018 the Company concluded finance leases in the amount of UAH 219,000 thousand to acquire vehicles.

Authorised for issue and signed:

I. Smelyansky	M. Paliy	N. Serdiuk
General Director	Deputy General Director of Finance	Chief Accountant