JSC Ukrposhta

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

31 December 2018

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Independent Auditor's Report

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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 effects and 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 2018, 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 in Ukraine.

Our auditor's report is consistent with our additional report to the Audit Committee dated 13 December 2019.

What we have audited

The Company's financial statements comprise:

- the balance sheet (statement of financial position) (Form 1) as at 31 December 2018;
- the statement of financial results (statement of comprehensive income) (Form 2) for the year then ended;
- the statement of cash flows (indirect method) (Form 3) for the year then ended;
- the statement of changes in equity (Form 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

Misstatements and insufficient evidence over selected revenue streams and associated liabilities

We were not able to obtain sufficient and appropriate audit evidence and identified misstatements with respect to the following Revenue streams for the sale of goods, works and services and Other operating income for the years ended 31 December 2018 and 31 December 2017 and the carrying amounts of the following liabilities as at 31 December 2018 and 31 December 2017:

1. Provision of postal services in respect of the portion settled by means other than direct payments to the Company's bank accounts, which amounts to UAH 418,338 thousand of revenue from delivery of letters, UAH 808,868 thousand of revenue from delivery of parcels, small packages and UAH 49,510 thousand of revenue from other postal services (2017: total revenue from provision of the above postal services, which amounts to UAH 1,819,956 thousand) as disclosed in Note 20. Consequently, we were not able to obtain sufficient and appropriate audit evidence to confirm a portion of the balance of unused postage stamps in the amount of UAH 16,551 thousand as at 31 December 2018 (31 December 2017: UAH 8,632 thousand) reported in the balance sheet under Deferred revenue as disclosed in Note 18.

2. UAH 102,338 thousand, which represents a portion of revenues from collection of utility payments and UAH 233,926 thousand of revenues from postal money transfers (2017: total revenue from provision of financial services of UAH 742,780 thousand) as disclosed under Financial services in Note 20, and related balances of collected third party payments in the amount of UAH 404,288 thousand as at 31 December 2017 and money transfers due to customers of UAH 329,281 thousand as at 31 December 2018 (31 December 2017: UAH 270,904 thousand) reported in the balance sheet under Other current liabilities as disclosed in Note 19. Also we were not able to obtain sufficient and appropriate audit evidence to confirm a portion of foreign exchange gains less losses related to postal money transfers disclosed as revenues from other financial services in Note 20 in the amount of UAH 127,225 thousand (2017: UAH 69,291 thousand disclosed in Other operating income in Note 27). Classification of this portion of

Limited Liability Company Audit Firm "PricewaterhouseCoopers (Audit)"
75, Zhylyanska Str., Kyiv, 01032, Ukraine
T: +380 44 354 0404
pwc.com/ua

foreign exchange gains less losses for the year ended 31 December 2018 as Revenue from sales of goods, works and services contradicts the requirements of IFRS, as foreign exchange gains less losses are not a part of revenue from contracts with customers. In our opinion, respective foreign exchange gains less losses should be presented as Other operating income instead of Revenue from sales of goods, works and services.

3. Sales of own goods and commission goods in the amount of UAH 385,133 thousand (2017: UAH 375,997 thousand) as disclosed under Sale of goods and other services in Note 20 and the balance of amounts due for sold merchandise of UAH 116,032 thousand (31 December 2017: UAH 103,369 thousand) reported in the balance sheet as at 31 December 2018 under Other current liabilities as disclosed in Note 19. In addition, we were not able to obtain sufficient and appropriate audit evidence to confirm revenues from provision of other services in the amount of UAH 184,326 thousand for the year ended 31 December 2017 as disclosed under Sale of goods and other services in Note 20.

4. The portion of amounts included in Subscription and distribution of periodicals in respect of subscriptions, which amounts to UAH 118,484 thousand (2017: UAH 73,081 thousand), as disclosed in Note 20.

Consequently, because of insufficient details of the accounting records and certain missing supporting documents we were unable to determine whether any adjustments to UAH 2,243,822 thousand of Revenue from sales of goods, works and services and UAH 461,864 thousand of related Other current liabilities and Deferred revenue balances were necessary. Our audit opinion on 2017 financial statements was also qualified for these matters. In addition, as discussed above, the amounts relating to foreign exchange gains less losses of UAH 127,225 thousand are inappropriately classified as revenue from other financial services in year ended 31 December 2018.

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 13). The assets on occupied territories have been carried fully impaired since 31 December 2016.

Further, UAH 111,834 thousand of liabilities originated from operations in Crimea or the east of Ukraine were presented as at 31 December 2016 within Current liabilities on occupied territories 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 and appropriate audit evidence about 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 were needed to the amount of the release of such liabilities being UAH 111,834 thousand in 2017 disclosed in Other operating income in Note 27. Our audit opinion on 2017 financial statements was qualified accordingly. With respect to this matter our audit opinion on the financial statements for the year ended 31 December 2018 is qualified solely 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.

Our audit approach

Overview

Materiality	UAH 67,915 thousand
Key audit matters	Obtaining audit evidence with respect to revenues and expenses related to international postal exchange Revenue from sales of goods, works and services

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. As in all of our audits, 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 a basis for our 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 materiality	UAH 67,915 thousand
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 certain 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 judgement, within the range of acceptable quantitative materiality thresholds.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, 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. 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*
Obtaining audit evidence with respect to revenues and expenses related to international postal exchange (Notes 20 and 21)	
For many 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 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 provided by the Company's correspondence processing unit and the UPC tariff. In prior periods, 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 2018, the revenue and expenses related to UPC amounted to UAH 692,434 thousand and UAH 491,694 thousand, respectively.	The Company performs a detailed calculation based on recorded volumes and the UPC tariffs. The Company subsequently confirms first the volume information and later the amount of revenue and expenses in the annual, quarterly and monthly invoices issued to and received from individual countries. We applied different testing approaches to revenue and expenses from UPC depending on the stage of invoices confirmation. For transactions with postal operators of other countries for which confirmed invoices with revenue and expense amounts were obtained at the time of our audit procedures, we tested revenues and expenses by cross-referencing the amounts on the sample basis to the related invoices. For transactions with postal operators of other countries for which confirmed invoices with only shipment volumes were obtained at the time of our audit procedures, we tested revenues and expenses by cross-referencing the volumes on a sample basis to the related invoices and recalculating revenue earned and expenses incurred using the confirmed data about the volume of cross-border shipments and tariffs as per the UPC. During this substantive procedure we noted differences in revenue for individual countries and later confirmed that the initially posted accrual of revenue was significantly revised, which was recorded in invoices sent by the Company for confirmation with foreign postal operators. This resulted in a downward revision of the recognised revenue and expenses amounts. 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 2018. Also, we recalculated foreign exchange differences that result from receivable and payable balances with postal operators of other countries and this

resulted in a reclassification of revenue within the income statement.

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

Revenue from sales of goods, works and services (Note 20)

Obtaining audit evidence with respect to UAH 692,434 thousand of revenues from international postal exchange is described in the key audit matter above.

Due to inherent limitations in our audit of the Company's revenue from individuals characterised by numerous low value transactions immediately paid in cash, we were unable to obtain sufficient and appropriate audit evidence with respect to a portion of Revenue from sales of goods, works and services in the amount of UAH 2,243,822 thousand as described above in the Basis for qualified opinion section of our audit report.

This key audit matter relates to the remainder of Revenue from sales of goods, works and services which is not qualified. The unqualified revenue primarily relates to the transactions with legal entities which get settled via direct payments to the bank accounts ("non-cash revenue") and are legally accounted for on monthly basis, which is confirmed by relevant statements of reconciliations with counterparties. Also, we did not encounter any limitations in performing audit procedures for a portion of revenues from collection of utility payments paid in cash, where the new system of accounting was implemented in 2018.

Considering the overall materiality of revenues for the Company, the design of the appropriate audit strategy over revenue, including split of revenues between cash portion and revenue settled through direct payments to the bank accounts, is the key audit matter.

We designed our audit strategy appropriately and we planned different audit approaches and procedures for the same category of revenues, settled in cash and through bank accounts. We applied a combination of tests of controls and substantive procedures to cash revenues, whereas for revenues settled through direct payments to the bank accounts, we primarily applied substantive audit procedures, including the following:

- Obtained an understanding of business processes, internal control systems and inherent document flow through discussions with Company management and performing an analysis of policies and internal regulations;
- An analysis of accounting entries for recognition of revenues in accounting records and related allocation on analytical accounts between cash revenues and revenues settled through direct payments to the bank accounts;
- Traced the amount of payments received for goods and services to the amount of revenue from sale of goods, works and services for the year ended 31 December 2018, which includes cash and non-cash settlements;
- Analytical procedures to confirm revenue from delivery of letters;
- Substantive procedures in respect of the balance of unused postage stamps, including its classification between cash and non-cash portion and analysis of average usage term of postal stamps based on the survey results delivered by an external polling company;
- Tested controls and substantive procedures in respect of cash revenue categories;
- Substantive procedures in respect of revenue categories settled through direct payments to the bank accounts.

Reporting on Other information including the Management report

Management is responsible for the Other information. The Other information comprises the Management report, which forms part of the Annual information of the issuer of securities as defined by the Law on Securities and the Stock Market (but does not include the financial statements and our auditor's report thereon), which are expected to be updated by the management following the issue of the financial statements and to be made available to us after the date of this auditor's report. The Law of Ukraine on Audit of Financial Statements and Audit Activity requires that we comment on any errors or inconsistencies between the Management report and the financial statements. As we did not obtain the Management Report by the date of our audit report, we are not able to comment on any such errors or inconsistencies.

Our qualified opinion on the financial statements does not cover the Other information, including the Management report.

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 Management report and the Annual information of the issuer of securities, which are expected to be updated by the management following the issue of the financial statements, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Supervisory Board.

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 financial reporting requirements of the Law on Accounting and Financial Reporting in Ukraine, and for such internal control as management determines is necessary to enable the preparation of the 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.

The Supervisory Board is 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 judgement 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 Company'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 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. The total period of our uninterrupted engagement appointment is 3 years.

The key partner 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
Registration number in the Register of Auditors and Auditing Entities 101809

LLC AF "PricewaterhouseCoopers (Audit)"

Kyiv, Ukraine

16 December 2019

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: **70,129**
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 2017**	**31 December 2018**
I. Non-current assets				
Intangible assets		1000	35,965	28,402
historic cost		1001	122,831	119,063
amortisation		1002	(86,866)	(90,661)
Construction in progress	9	1005	302,426	85,738
Property, plant and equipment	9	1010	3,160,356	3,424,096
historic cost		1011	4,401,533	4,946,099
depreciation		1012	(1,241,177)	(1,522,003)
Investment property		1015	13,435	14,937
historic cost		1016	13,435	14,937
depreciation		1017	-	-
Other financial investments		1035	12,399	13,372
Long-term accounts receivable		1040	522	455
Deferred tax assets		1045	-	-
Total Section I		**1095**	**3,525,103**	**3,567,000**
II. Current assets				
Inventories	10	1100	235,736	235,837
production stock		1101	136,213	159,774
work in progress		1102	-	1,081
finished goods		1103	7,724	7,064
goods for resale		1104	91,799	67,918
Accounts receivable for goods, works and services	11	1125	834,658	158,358
historic cost		1125.1	848,177	183,982
impairment provision		1125.2	(13,519)	(25,624)
Accounts receivable on settlements: on advances issued	11	1130	24,900	22,402
with the budget	11	1135	15,791	25,794
including corporate profit tax prepaid		1136	-	-
on accrued income	11	1140	3,732	5,453
Other current accounts receivable	11	1155	95,681	138,635
historic cost		1155.1	100,915	151,564
impairment provision		1155.2	(5,234)	(12,929)
Cash and cash equivalents	12	1165	2,982,647	1,846,931
Cash on hand		1166	374,635	169,106
Current accounts		1167	2,608,012	1,677,825
Other current assets		1190	18,947	28,444
Total Section II		**1195**	**4,212,092**	**2,461,854**
TOTAL ASSETS		**1300**	**7,737,195**	**6,028,854**

Balance Sheet (Statement of Financial Position) (continued)

		Form No 1	DKUD code	1801001
Liabilities	**Note**	**Line code**	**31 December 2017**	**31 December 2018**
I. Equity				
Registered capital	14	1400	6,518,597	6,518,597
Revaluation effect on corporatisation	14	1416	(5,254,038)	(5,254,038)
Retained earnings		1420	1,534,200	1,003,366
Total Section I		**1495**	**2,798,759**	**2,267,925**
II. Long-term liabilities and provisions				
Deferred tax liabilities	28	1500	235,400	114,263
Long-term bank borrowings		1510	-	-
Other long-term liabilities	15	1515	27,250	72,328
Total Section II		**1595**	**262,650**	**186,591**
III. Current liabilities and provisions				
Short-term bank borrowings	15	1600	323,878	112,627
Current accounts payable on settlements: for long-term liabilities	15	1610	38,189	65,993
for goods, works and services	16	1615	496,625	541,590
with the budget		1620	57,289	94,929
including liability on income tax		1621	35	14,329
for insurance		1625	38,906	36,285
on payroll		1630	137,355	154,033
Current accounts payable on advances received		1635	26,626	106,818
Accruals and other provisions	17	1660	222,557	330,188
Deferred revenue	18	1665	286,714	364,277
Other current liabilities	19	1690	3,047,647	1,767,598
Total Section III		**1695**	**4,675,786**	**3,574,338**
TOTAL LIABILITIES AND EQUITY		**1900**	**7,737,195**	**6,028,854**

Approved for issue and signed on 16 December 2019.

Smelyansky I.
General Director

Paliy M.
Deputy General Director of Finance

Serdiuk N.
Chief Accountant

Notes on pages 7-44 form an integral part of these financial statements.

Enterprise: JSC Ukrposhta

Statement of Financial Results (Statement of Comprehensive Income)

for the year ended 31 December 2018

Form No 2 DKUD code 1801003

I. FINANCIAL RESULTS

Item	Note	Line code	For the reporting period - 2018	For the prior period (after changes in presentation – Note 3)
1		2	3	4
Net revenue from sales of goods, works and services	20	2000	6,791,536	5,405,784
Cost of sales of goods, works and services	21	2050	(6,364,050)	(4,917,253)
Gross:				
Profit		2090	427,486	488,531
Loss		2095	-	-
Other operating income	27	2120	43,292	271,324
Administrative expenses	23	2130	(817,456)	(707,764)
Selling expenses	22	2150	(180,418)	(161,751)
Other operating expenses	24	2180	(130,672)	(96,231)
Financial results from operating activities:				
Profit		2190	-	-
Loss		2195	(657,768)	(205,891)
Other financial income	25	2220	154,474	35,170
Other income		2240	1,309	8,097
Financial expenses	26	2250	(107,204)	(34,802)
Other expenses		2270	(17,805)	(22,014)
Financial results before taxation:				
Profit		2290	-	-
Loss		2295	(626,994)	(219,440)
Income tax (expense)/credit	28	2300	119,213	41,960
Net financial result:				
Profit		2350	-	-
Loss		2355	(507,781)	(177,480)

II. COMPREHENSIVE INCOME

Item	Note	Line code	For the reporting period - 2018	For the prior period 2017
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**	(507,781)	(177,480)

Notes on pages 7-44 form an integral part of these financial statements.

Statement of Financial Results (Statement of Comprehensive Income)
for the year ended 31 December 2018
(continued)

Form No 2

III. ELEMENTS OF OPERATING EXPENSES

Item	Note	Line code	For the reporting period - 2018	For the prior period 2017 (after changes in presentation – Note 3)
1		2	3	4
Material expenses		2500	616,404	526,688
Payroll		2505	4,282,103	3,350,848
Social payments		2510	1,019,201	808,216
Depreciation/amortisation and impairment		2515	291,710	210,357
Other operating expenses		2520	1,171,151	899,765
Cost of goods sold		2530	112,027	87,125
Total		**2550**	**7,492,596**	**5,882,999**

IV. CALCULATION OF SHARES PROFITABILITY

Item	Note	Line code	For the reporting period - 2018	For the prior period 2017
1		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 16 December 2019.

АКЦІОНЕРНЕ ТОВАРИСТВО «УКРПОШТА»
УКРПОШТА
ГОЛОВНА ПОШТА КРАЇНИ
ІДЕНТИФІКАЦІЙНИЙ КОД
21560045

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

Notes on pages 7-44 form an integral part of these financial statements.

Enterprise: **JSC Ukrposhta**

Statement of Cash Flows (indirect method)
for the year ended 31 December 2018

Form No 3 DKUD code 1801004

Item	Note	Line code	For the reporting period	For the prior period
1		2	3	4
I. Cash flows from operating activities				
Loss before tax		3500	(626,994)	(219,440)
Adjustments for:				
Depreciation, amortisation and impairment of non-current assets		3505	291,710	210,357
Increase in provisions		3510	185,194	136,753
Unrealised foreign exchange gain		3515	(11,603)	(116,918)
Gain from non-operating activities and other non-cash transactions		3520	(3,475)	-
Derecognition of liabilities on occupied territories and in Crimea		3527	-	(111,846)
Financial expenses	26	3540	107,204	34,802
Finance income	25	3524	(154,474)	(35,170)
(Increase) / decrease in current assets		3550	614,522	(155,214)
Increase / (decrease) in current liabilities		3560	(1,117,489)	1,955,852
Cash flows from operating activities		**3570**	**(715,405)**	**1,699,176**
Income tax paid		3580	-	(10,046)
Interest paid		3585	(25,874)	(5,963)
Net cash from operating activities		**3195**	**(741,279)**	**1,683,167**
II. Cash flows from investing activities				
Interest received		3215	38,589	35,170
Payments for acquisition of:				
property, plant and equipment and intangible assets		3260	(198,198)	(300,870)
Net cash used in investing activities		**3295**	**(159,609)**	**(265,700)**
III. Cash flows from financing activities				
Bonds issued		3305	104,308	4,700
Dividends paid		3355	-	-
Extinguishment of liabilities under finance lease contracts		3365	(64,858)	-
Repayment of borrowings		3390	(285,881)	-
Net cash used in financing activities		**3395**	**(246,431)**	**4,700**
Net increase (decrease) in cash and cash equivalents		3400	(1,147,319)	1,422,167
Cash and cash equivalents at the beginning of the year		3405	2,982,647	1,559,413
Impact of change in foreign exchange rates		3410	11,603	1,067
Cash and cash equivalents at the end of the year	**12**	**3415**	**1,846,931**	**2,982,647**

Non-cash investing and financing activities during 2018 comprised acquisition of vehicles by means of finance leases in the amount of UAH 137,914 thousand (2017: UAH 68,010 thousand).

Approved for issue and signed on 16 December 2019.

Smelyansky I.
General Director

Paliy M.
Deputy General Director of Finance

Serdiuk N.
Chief Accountant

Notes on pages 7-44 form an integral part of these financial statements.

JSC Ukrposhta

Statement of Changes in Equity

for the year ended 31 December 2018

Form No 4 DKUD code 1801005

Стаття	Line code	Registered capital	Revaluation effect on corporatisation	Retained earnings	Total
1	2	3	4	5	6
Balance at the beginning of the year	4000	**6,518,597**	**(5,254,038)**	**1,534,200**	**2,798,759**
Change in accounting policy (1)	4005	-	-	(8,760)	(8,760)
Corrections of errors	4010	-	-	(14,293)	(14,293)
Balance at the beginning of the year (restated)	**4095**	6,518,597	(5,254,038)	1,511,147	2,775,706
Net loss for the reporting period	4100	-	-	(507,781)	(507,781)
Changes in equity, total	**4295**	-	-	**(507,781)**	**(507,781)**
Balance at the year end	**4300**	**6,518,597**	**(5,254,038)**	**1,003,366**	**2,267,925**

(1) Details of adoption of IFRS 9 are further disclosed in Note 5.

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 (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**

Approved for issue and signed on 16 December 2019.

УКРПОШТА
ГОЛОВНА ПОШТА КРАЇНИ
ІДЕНТИФІКАЦІЙНИЙ КОД 21560045

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 JSC. In March 2017, Ukrposhta was registered as a PJSC under the laws of Ukraine. The Company's shares are not listed on any international or local exchanges. In December 2018, a type of a public joint stock company was changed from public to private and the Company was renamed into Joint Stock Company Ukrposhta.

The Company's principle business is 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 founder and sole shareholder of JSC Ukrposhta is the State of Ukraine represented by the Ministry of Infrastructure of Ukraine. Management of state corporate rights in relation to the Company is carried out by the Ministry of Infrastructure of Ukraine.

The Supervisory Board of the Company is a collegial body that protects the rights of the shareholder, as well as supervises and regulates the activities of the Company. The members of the Supervisory Board, consisting of 7 people, including 5 independent members, are elected by the general meeting for a term of up to 3 years.

As at 31 December 2018 the Supervisory Board included:

Position	Full name
Chairman of the Supervisory Board	Benoit Pleska
Deputy Chairman of the Supervisory Board, Chairman of the Digital Transformation Committee, representative of the State	Oleksandr Ozeran
Member of the Supervisory Board, Chairman of the Audit Committee and Financial Services Committee	Yakub Karnowski
Member of the Supervisory Board, Chairman of the Nomination and Remuneration Committee	Oksana Volchko
Member of the Supervisory Board, Chairman of Postal Logistics and Parcels Committee	Joona Saluveer
Member of the Supervisory Board	Tommy Jensen
Member of the Supervisory Board, representative of the State	Yuriy Tustanovsky

On 25 September 2019, the decree of the Ministry of Infrastructure of Ukraine suspended the authority of the representative of the State in the Supervisory Board, Oleksandr Ozeran and Yuriy Tustanovsky. At the date of approval of these financial statements for issue the selection for the position of representatives of the State continues.

The General Director manages the current activities of the Company.

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.

As at 31 December 2018, the Company operates 10,475 postal offices in Ukraine. The average number of its employees is 70,149 people for the year ended 31 December 2018.

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

2 Operating environment

The Ukrainian economy is showing signs of stabilisation after years of political and economic tensions. The year over year inflation rate in Ukraine has decreased to 9.8% during 2018 (as compared to 13.7% in 2017) while GDP continued to grow at 3.3% (after 2% growth in 2017).

2 Operating environment (continued)

The National Bank of Ukraine ("NBU") continued its inflation targeting policy and periodically raised its key interest rate from 16% in January 2018 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 agricultural exporters, tight UAH liquidity and growth in remittances from labour migrants. Starting from April 2019, the NBU launched the cycle of easing of the monetary policy and a gradual decrease of its discount rate (the last change was a decrease to 15.5% from 25 October 2019), which is justified by a sustainable trend of inflation deceleration.

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 2018, 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 programme's approval significantly increases the chance of Ukraine to meet foreign currency obligations in 2019, and thus has supported the financial and macroeconomic stability of the country. In December 2019, a new 3-year Staff-Level Agreement under the IMF's Extended Fund Facility in the amount of SDR 4 billion (about USD 5.5 billion) has been agreed. This agreement is subject to IMF management approval and to approval by the Executive Board.

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

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.

Ukraine faced presidential elections in March-April 2019, and then early parliamentary elections in July 2019. Amid double elections, the degree of uncertainty including in respect of the future direction of the reforms in 2019 and 2020 remains very high. Despite certain improvements in 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 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.

Reissue of the financial statements for 2018. Subsequent to issue of the IFRS financial statements for the year ended 31 December 2018 on 26 April 2019, management of the Company identified errors which required respective adjustments. As such, the current year information has been adjusted accordingly to reflect the effect of these adjustments. The effect of the respective changes was related primarily to [1] adjustments of the income and expenses and related accounts receivable and liabilities balances for international postal exchange based on updated information on the volumes and applicable tariffs of the UPC, as well as based on confirmed invoices with postal operators of other countries available on the date of preparation of these financial statements and [2] reclassification of expenses for writing off non-recoverable VAT from administrative expenses to cost of sales of goods, works and services. Other amendments to the current year information were not material.

Going concern. As of 31 December 2018, the Company had an excess of current liabilities over current assets of UAH 1,112,484 thousand (31 December 2017: UAH 463,694 thousand). The factors leading to working capital deficit are discussed further in greater detail.

3 Significant accounting policies (continued)

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 tariff increases which compensate for such cost increases can take place 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, to UAH 4,173 from 1 January 2019 and to UAH 4,723 from 1 January 2020.

The Company has an obligation to deliver pensions in Ukraine on behalf of the 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 14 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 pensions have been increasing at a slower rate than the salaries. Because payroll together with the unified social contribution is the major cost item of the Company, this decision on the increase in the minimum salary made the most significant contribution to loss in operating cash flows and the working capital deficit in 2018.

In late 2017, management of the Company commenced negotiations with the government of Ukraine to increase the tariff for pension delivery. 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 6 months 2019. In December 2019, a decision to increase the tariff for pension delivery by 45% was taken by the government of Ukraine.
Management has prepared quarterly cash flow projections through to the end of 2020. Judgements 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:

- the volume of handled letters stays relatively flat, while revenue grow due to tariff increase by 10.0% - 12.5% from 1 January 2020 – being the amount that has been approved by the National Commission for the State Regulation of Communications and Informatisation;
- an increase in income from delivery of parcels primarily as a result of the growth in delivery volumes of internal parcels by 40% in 2020;
- an increase in tariffs for the services related to payment and delivery of state pensions and cash benefits by 45% in 2020, as well as a ceasation of the practice by the State to encourage pensioners to switch to being serviced by the banking institutions;
- the number of individuals that use services of the Company's pension delivery does not reduce by more than 7% in 2020;
- compensation of a reduction in the volume of subscription of periodicals through the increase in tariffs for subscription and distribution of domestic periodicals by 15% on average from 1 January 2020, which have been approved by the Ministry of Infrastructure of Ukraine;
- restraint of growth in controllable costs and ability to postpone settlement with foreign postal operators;
- implementation of investment projects such as the Logistics Network and the Rural Post Office expected to be funded primarily by credit facilities including international financial institutions.

Management has estimated that the cash flows for the period through to the end of 2020 are positive.

In addition, the sensitivity analysis of cash flows to underlying assumptions has been performed. Considering that the issue with the loss-making pension delivery activity was addressed by the decision of the government of Ukraine to increase the tariffs starting from 1 January 2020, even with the simultaneous crystallisation of all adverse scenarios, the Company will not be exposed to the liquidity gap in 2020.

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:

3 Significant accounting policies (continued)

In Ukrainian Hryvnias	31 December 2018	31 December 2017
USD/UAH closing	27.69	28.07
USD/UAH average	27.18	26.60
SDR/UAH closing	38.51	39.88
SDR/UAH average	38.51	36.87

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.

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.

Financial instruments – key measurement terms. Depending on their classification, financial instruments are carried at fair value or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the Company. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including the accrued coupon are not presented separately and are included in the carrying values of the related items in the statement of financial position as current or long-term liabilities subject to their maturities.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. Premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Financial instruments – initial recognition. The Company's principal financial instruments comprise accounts receivable, cash and cash equivalents and other financial investments. Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Company commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets – classification and subsequent measurement – measurement categories. The Company classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Company manages the assets in order to generate cash flows. The Company's objective is solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows").

3 Significant accounting policies (continued)

Financial assets impairment – credit loss allowance for ECL. The Company measures ECL and recognises Net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Financial instruments measured at AC are presented in the statement of financial position net of the allowance for ECL.

The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL.

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a Derecognition event.

Financial assets - derecognition. The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Financial liabilities – derecognition. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of financial results.

Presentation of financial instruments by measurement category. As of 31 December 2018 and 31 December 2017, all of the Company's financial assets and liabilities except for other financial investments were carried at AC. Their carrying amounts approximate their fair values. Other financial investments were carried at fair value through profit or loss.

Property, plant and equipment. Property, plant and equipment (PPE) 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:

3 Significant accounting policies (continued)

	Remaining useful lives in years
Buildings and structures	from 10 to 50
Plant and equipment	from 5 to 35
Vehicles	from 5 to 10
Office furniture and equipment	from 2 to 5

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. The Company applies the specific identification method to measure the cost of inventories upon disposal. The cost identification means that specific costs are related to identified inventory items, and for homogeneous inventories, those purchased earlier than others are written down first. 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.

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. The Company estimates the provision for receivables that meet the criteria for a financial asset under IFRS 9, Financial Instruments, on a case-by-case basis in the following categories: “Current (not past due)”, “1 to 30 days overdue”, “31 to 180 days overdue”, “181 to 360 days overdue”, “More than 360 days overdue”. Past due means receivables with the expired repayment term. The provision amount is estimated by applying ECL rates. Impairment of accounts receivable is measured based on the ECL analysis on a collective basis.

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 other operating expenses. Accounts receivable are not written off against the allowance account for receivables. As of the date of the financial statements, the provision is estimated subject to receivables written off previously. Subsequent recoveries of amounts previously written off are credited against 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.

3 Significant accounting policies (continued)

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.

The Company estimates expected credit losses for balances of cash and cash equivalents on bank accounts based on the low probability of default during the validity period of contractual terms of less than 3 months. The probability of default was established on the basis of external credit ratings of corresponding banks and the publicly-available data on default from rating agencies. No ECL allowance was recognised in these financial statements as management determined the effect as immaterial.

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.

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.

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 a Joint Stock Company 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 of 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.

3 Significant accounting policies (continued)

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 is income arising in the course of the Company's ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. Revenue is recognised net of discounts, returns and value added taxes. Revenue primarily comprises the rendering of services (sales of goods) as follows:

а) Parcels and letters (including international);
б) Delivery of pensions and other social benefits;
в) Payments and money transfers;
г) Subscription and delivery of periodicals; and
д) Sale of merchandise and other services.

Account 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 is deferred until the related services have been provided to the customer. The Company derecognises the contract liability and recognises revenue when it transfers services and therefore satisfies its performance obligations. The Company provides services under fixed-price contracts.

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.

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.

Where the Company's role in a transaction is a principal, revenue is recognised on a gross basis. Where the Company's role in a transaction is that of an agent, revenue is recognised on a net basis and represents the margin earned.

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 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.

3 Significant accounting policies (continued)

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.

Changes in presentation. In 2018, the Company changed the presentation of the statement of financial results (statement of comprehensive income) to ensure more accurate presentation of operating lease results, cost of contributions to trade unions and cost of goods sold. The Company believes that the change provides reliable and more relevant information. In accordance with IAS 1, the changes were introduced retrospectively and comparatives for 2017 were presented appropriately to ensure their comparability with financial data of the current year.

The effect of the corrections on the statement of financial results (statement of comprehensive income) is as follows:

Item *In thousands of Ukrainian Hryvnia*	**Line code**	**Year ended 31 December 2017 (as previously reported)**	**Effect of changes in presentation**	**Year ended 31 December 2017 (after changes in presentation)**
1	**2**			
Net revenue from sales of goods, works and services	2000	5,377,253	28,531	5,405,784
Cost of sales of goods, works and services	2050	(5,198,099)	280,846	(4,917,253)
Gross:				
Profit	2090	179,154	309,377	488,531
Loss	2095			
Other operating income	2120	299,855	(28,531)	271,324
Administrative expenses	2130	(361,655)	(346,109)	(707,764)
Selling expenses	2150	(227,014)	65,263	(161,751)
Other operating expenses	2180	(102,962)	6,731	(96,231)
Financial results from operating activities:				
Profit	2190			
Loss	2195	(212,622)	6,731	(205,891)
Other financial income	2220	35,170	-	35,170
Other income	2240	8,097	-	8,097
Finance costs	2250	(34,802)	-	(34,802)
Other expenses	2270	(15,283)	(6,731)	(22,014)
Financial result before taxation:				
Profit	2290	-	-	-
Loss	2295	(219,440)	-	(219,440)
Income tax (expense)/credit	2300	41,960	-	41,960
Net financial result:				
Profit	2350	-	-	-
Loss	2355	(177,480)	-	(177,480)

3 Significant accounting policies (continued)

Item *In thousands of Ukrainian Hryvnia*	Line code	Year ended 31 December 2017 (as previously reported)	Effect of changes in presentation	Year ended 31 December 2017 (after changes in presentation)
1	2	3	4	5
Material expenses	2500	507,853	18,835	526,688
Payroll	2505	3,350,848	-	3,350,848
Social contributions	2510	808,216	-	808,216
Depreciation/amortisation	2515	195,021	15,336	210,357
Other operating expenses	2520	1,027,792	(128,027)	899,765
Cost of sales	2530	---	87,125	87,125
Total	**2550**	5,889,730	(6,731)	5,882,999

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 the 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 much stamps they purchased annually and how much 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.

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.

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

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 to raise claims between 2014 and the date of derecognition, given that travel is allowed between UCT and mainland Ukraine and the lack of claims on settlement of such liabilities, with corresponding recognition of other operating 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.

Classification of non-current assets as investment property. The Company maintains separate accounts of real estate properties that can be classified as property, plant and equipment or investment property. For double-purpose items (held for own use or for lease), the classification of a portion of such item as investment property is possible only when this portion can be sold or leased out under the finance lease contract separately from the other potion of the item. If no possibility exists, the Company classifies the entire item as investment property only if the portion of the item used for its own needs is less than 20 percent of the total area of the item.

Rental income from freehold real estate properties of the Company increased during 2018. This is caused by management's policy on optimisation of using the temporarily vacant premises. Accordingly, the Company pays special attention to meet appropriate conditions for reclassification of real estate properties from property, plant and equipment to investment property.

According to the effective legislation as at 31 December 2018, JSC Ukrposhta, particularly its assets (including real estate properties) was subject to special legal regulation: (i) according to Section 2 of Article 4 of the Law of Ukraine On privatisation of state-owned and municipal property, the Company's property as the national postal operator's property is of particular significance and is required for the State to fulfil its key functions – is not subject to privatisation; (ii) according to Article 1 of the Law of Ukraine On the list of state-owned assets that are not subject to privatisation, the Company was included in the List of state-owned assets that are not subject to privatisation but that may be corporatised. According to paragraph 1 of Section 9 of Article 11 of the Law of Ukraine On management of state-owned assets, state-owned real estate properties that are not subject to privatisation may not be alienated, seized or transferred to the statutory capital of business entities, and such properties are not subject to any actions resulting in alienation thereof.

Management believes that legislative rules effective in 2018 exclude the legal possibility of selling or leasing out, under the finance lease contract, any real estate properties held by the Company. Consequently, the only criterion of the portion of the leased-out items in the total area of those items is considered in making disclosures of property, plant and equipment and investment property items for their classification purposes in these financial statements. As further described in Note 33, the ban to sell, lease out or alienate an item of property was lifted with the introduction of certain changes in the legislation.

5 Adoption of new or revised standards and interpretations

Adoption of IFRS 9 "Financial Instruments". The Company adopted IFRS 9 "Financial Instruments", from 1 January 2018. The Company elected not to restate comparative figures and recognised the adjustments to the carrying amounts of financial assets in the opening retained earnings as of the date of the initial application of the standard, 1 January 2018. Consequently, the revised requirements of IFRS 7 "Financial Instruments: Disclosures" relating to disclosures, have only been applied to the current period. The comparative period disclosures repeat those disclosures made in the prior year.

The significant new accounting policies applied in the current period are described in Note 3. Accounting policies applied prior to 1 January 2018 and applicable to the comparative information are disclosed in Note 32.

5 Adoption of new or revised standards and interpretations (continued)

The following table reconciles the carrying values by measurement category of each class of financial instrument in accordance with IAS 39 and upon adoption of IFRS 9 on 1 January 2018:

In thousands of Ukrainian Hryvnia	**Measurement category**		**Carrying value under IAS 39**	**Impact of adopting IFRS 9**	**Carrying value under IFRS 9**
	IAS 39	**IFRS 9**	**31 December 2017**	**Remeasurement. ECL**	**1 January 2018**
Cash and cash equivalents	Loans and receivables	AC	2,982,647	-	2,982,647
Trade receivables	Loans and receivables	AC	834,658	(6,777)	827,881
Long-term accounts receivable	Loans and receivables	AC	522	(11)	511
Other financial investments (shares of other companies)	FVTPL	FVTPL	12,399	-	12,399
Other receivables	Loans and receivables	AC	95,681	(3,895)	91,786
Total financial assets			3,925,907	(10,683)	3,915,224

Management made the following adjustments to balances recognised in the standalone statement of financial position as at 1 January 2018:

In thousands of Ukrainian Hryvnia	**31 December 2017**	**Effect of first-time adoption of IFRS 9**	**1 January 2018**
ASSETS			
Deferred tax liabilities	(235,400)	1,924	(233,476)
Trade receivables	834,658	(6,777)	827,881
Long-term accounts receivable	522	(11)	511
Other receivables	95,681	(3,895)	91,786
EQUITY			
Retained earnings	1,534,200	(8,760)	1,525,440

Reconciliation of provision for impairment as at 31 December 2017 and credit loss allowance as at 1 January 2018.

In thousands of Ukrainian Hryvnia	**Provision under IAS 39 as at 31 December 2017**	**Effect of remeasurement from incurred to expected losses**	**Credit loss allowance under IFRS 9 as at 1 January 2018**
Loans and receivables measurement category			
Cash and cash equivalents	-	-	-
Trade receivables	13,519	6,777	20,296
Long-term accounts receivable	-	11	11
Other receivables	5,234	3,895	9,129
FVTPL			
Other financial investments (shares of other companies)	-	-	-
Total financial assets	**18,753**	**10,683**	**29,436**

5 Adoption of new or revised standards and interpretations (continued)

As at 31 December 2017, all the Company's financial liabilities were carried at amortised cost. There were no changes to the classification and measurement of financial liabilities.

Adoption of IFRS 15 "Revenue from Contracts with Customers". The Company applied simplified method of transition to IFRS 15, and elected to apply the practical expedient available for simplified transition method. The Company applies IFRS 15 retrospectively only to contracts that were not completed at the date of initial application (1 January 2018).

Management assessed the impact of this new standard on its financial statements and concluded that it did not result in changes in accounting policies of the Company or adjustment to these financial statements.

The following amended standards became effective for the Company from 1 January 2018, but did not have any impact on the Company:

- Amendments to IFRS 2 "Share-based Payment" (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).
- Amendments to IFRS 4 - Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" (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).
- Annual Improvements to IFRSs 2014-2016 cycle – Amendments to IFRS 1 an IAS 28 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- 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).
- Amendments to IAS 40 – Transfers of Investment Property (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

6 New standards and interpretations not yet adopted

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2019 or later, and which the Company has not early adopted.

IFRS 16 "Leases" (issued in 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.

The Company decided that it will apply the standard from its mandatory adoption date of 1 January 2019 using the modified retrospective method, without restatement of comparatives. Right-of-use assets are measured on transition as if the new rules had always applied. All other right-of-use assets are measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued expenses).

Taking into account the extension option embedded in the contracts or high probability of new contracts for the lease of the same properties, the Company applies to the identified contracts the period of 5 years estimate the lease liability. This is explained by the fact that the Company prepares 5-year strategic plans for all types of activities (operating, financing and investing) approved by the Ministry of Infrastructure. At the same time, lease contracts where the Company acts as either lessee or lessor are signed for the average period of 3 to 5 years.

The Company applies the lessee's incremental borrowing rate to quantify the lease liability as at 1 January 2019. This rate is determined based on the NBU financial market statistics as the average interest rate on UAH-denominated new loans to non-financial corporations with the maturity matching the expected lease term.

6 New standards and interpretations not yet adopted (continued)

As at 31 December 2018, the Company has operating lease commitments of UAH 88,263 thousand. Of these commitments, approximately UAH 15,363 relate to low values leases which will be recognised on a straight-line basis as an expense in profit or loss.

A reconciliation of the operating lease commitments to the recognised lease liability is as follows:

In thousands of Ukrainian Hryvnia	**31 December 2018 / 1 January 2019**
Undiscounted operating lease commitments under IAS 17 disclosed as at 31 December 2018	88,263
- Revised lease terms at IFRS 16 adoption (reasonably certain lease extension / termination options)	316,132
- Exemption for recognition of low-value assets	(15,363)
Total reasonably certain undiscounted lease payments	389,032
- Discounting effect using the incremental borrowing rate of 17.83%	(132,763)
- Finance lease liabilities under IAS 17 recognised on the balance sheet as at 31 December 2018 (discounted)	136,877
Total lease liabilities	**393,146**

Consequently, the Company expects to recognise right-of-use assets in the amount of approximately UAH 393,146 thousand as at 1 January 2019 and lease liabilities in the amount of UAH 393,146 thousand (after adjustment for prepayments and accrued lease payments recognised as at 31 December 2018).

The Company expects that net profit/ (loss) for the year-ending 31 December 2019 will decrease by approximately UAH 4,804 thousand as a result of adopting the new rules. Operating cash flows will increase and financing cash flows decrease by approximately UAH 46,450 thousand as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

As IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, the Company does not expect any significant impact on the financial statements in respect of recognition of the Company's activities as a lessor. However, some additional disclosures will be required from next year.

IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019). IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation.

6 New standards and interpretations not yet adopted (continued)

Annual Improvements to IFRSs 2015-2017 cycle – amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019). The narrow scope amendments impact four standards. IFRS 3 was clarified that an acquirer should remeasure its previously held interest in a joint operation when it obtains control of the business. Conversely, IFRS 11 now explicitly explains that the investor should not remeasure its previously held interest when it obtains joint control of a joint operation, similarly to the existing requirements when an associate becomes a joint venture and vice versa. The amended IAS 12 explains that an entity recognises all income tax consequences of dividends where it has recognised the transactions or events that generated the related distributable profits, e.g. in profit or loss or in other comprehensive income It is now clear that this requirement applies in all circumstances as long as payments on financial instruments classified as equity are distributions of profits, and not only in cases when the tax consequences are a result of different tax rates for distributed and undistributed profits.

The revised IAS 23 now includes explicit guidance that the borrowings obtained specifically for funding a specified asset are excluded from the pool of general borrowings costs eligible for capitalisation only until the specific asset is substantially complete.

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance – in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The Company is still assessing the impact of new standards on its financial statements but does not expect a material impact on its financial reporting.

Other new or revised standards or interpretations that will become effective for annual periods starting on or after 1 January 2019 will likely have no material impact to the Company.

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 the entities under common control of or with significant influence on 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 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 2018 and 2017, a significant portion of the Company's bank balances are held with three state owned banks in Ukraine (Note 12).

Key management is considered to be the General Director (and/or acting General Director) of the Company and two Deputy General Directors responsible for operations and finance, respectively. In 2018, the total compensation to key management personnel amounted to UAH 21,652 thousand (2017: UAH 16,572 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 each business area is 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 20. All non-current assets of the Company are located in Ukraine.

Major customers

During 2018 and 2017, 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 2018 totalled UAH 1,506,755 thousand (2017: UAH 1,376,058 thousand).

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 2017						
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 1 January 2017	**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**
Additions	-	-	-	-	-	336,113
Transfers	36,791	113,675	300,645	95,516	546,627	(546,627)
Disposals at cost	(559)	-	-	-	(559)	-
Disposal of accumulated depreciation	89	-	-	497	586	-
Transfers from investment property	(1,502)	-	-	-	(1,502)	-
Depreciation charge and impairment	(78,567)	(58,070)	(37,200)	(107,575)	(281,412)	(6,174)
At 31 December 2018						
Historical cost	3,323,623	675,650	549,840	396,986	4,946,099	85,738
Accumulated depreciation and impairment	(547,884)	(448,556)	(173,156)	(352,407)	(1,522,003)	-
Carrying amount at 31 December 2018	**2,775,739**	**227,094**	**376,684**	**44,579**	**3,424,096**	**85,738**

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

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.

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.

In March 2017, the government of Ukraine completed reorganisation of the Company from a state-owned entity into a joint stock company (see Note 14). In July 2017, the act of transferring property to JSC Ukrposhta, a legal successor of the state-owned enterprise, was signed between the Ministry of Infrastructure of Ukraine and the Company.

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

	Note	2018	2017
Cost of sales of goods, works and services	21	253,401	169,582
Administrative expenses	23	13,498	10,875
Selling expenses	22	1,392	2,878
Other operating expenses	24	19,295	23,539
Total depreciation charge and impairment		**287,586**	**206,874**

During 2018, the Company acquired property, plant and equipment (vehicles) totalling UAH 182,705 thousand under finance leases with the initial instalment of UAH 67,776 thousand (2017: UAH 90,676 thousand with the initial instalment of UAH 34,000 thousand). As at 31 December 2018, the net carrying value of these items of property, plant and equipment held under financial lease arrangements, totalled UAH 218,054 thousand (31 December 2017: UAH 90,172 thousand), these are predominantly classified as Vehicles.

10 Inventories

	31 December 2018	31 December 2017
Raw materials	159,774	136,213
Goods for resale	67,918	91,799
Finished goods and work in progress	8,145	7,724
Total inventories	**235,837**	**235,736**

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

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

	31 December 2018	31 December 2017
Accounts receivable for goods, works and services	183,982	848,177
Other current accounts receivable	151,564	100,915
Total financial accounts receivable (gross carrying amount)	**335,546**	**949,092**
Advances issued	22,402	24,900
Other accounts receivables	31,247	19,523
Allowance for impairment	(38,553)	(18,753)
Total accounts receivable, advances issued and other receivables	**350,642**	**974,762**

Financial accounts receivable, net of allowance for impairment as at 31 December are denominated in the following currencies:

	2018	2017
- UAH	149,898	150,415
- SDR	75,077	716,197
- USD	64,253	62,133
- EUR	7,765	1,594
Total financial accounts receivable	**296,993**	**930,339**

As at 31 December 2018 and 2017, accounts receivable, advances issued and other account receivable are non-interest bearing and are settled in the normal course of business.

The Company applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all accounts receivable. To measure the expected credit losses, accounts receivable have been grouped based on shared credit risk characteristics and the days past due. The ECL rates are based on the payment profiles of sales over a period of 24 months before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

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

The credit loss allowance for financial accounts receivable is determined according to provision matrix presented in the table below. The provision matrix is based on the number of days that an asset is past due.

In % of gross value	Loss rate	Gross carrying amount	Lifetime ECL
- not past due			
• Postal operators of other countries	*0.00%*	139,657	-
• Governmental institutions and state owned enterprises	*0.86%*	36,918	319
• Utility entities	*0.86%*	19,980	172
• Other entities	*0.86%*	99,690	858
.			
		296,245	**1,349**
- less than 30 days overdue	*30.39%*	2,596	789
- 30 to 180 days overdue	*49.57%*	575	285
- 181 to 360 days overdue	*100.00%*	1,209	1,209
- more than 361 days overdue	*100.00%*	34,921	34,921
Total financial accounts receivable as at 31 December 2018 (gross carrying amount)		**335,546**	**38,553**
Credit loss allowance		(38,553)	
Total financial accounts receivable as at 31 December 2018		**296,993**	

The following table explains the changes in the credit loss allowance for financial accounts receivable under simplified ECL model between the beginning and the end of the annual period:

	Total credit loss allowance
As at 31 December 2017 (Note 5)	**18,753**
Effect of IFRS 9 adoption	10,672
Allowance as at 1 January 2018	**29,425**
Allowance accrued during the year	9,128
As at 31 December 2018	**38,553**

Movements in the impairment provision for the financial accounts receivables is as follows:

	Impairment provision
As at 1 January 2017	**8,425**
Charge for the year	10,328
As at 31 December 2017	**18,753**

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 2018	31 December 2017
Bank balances payable on demand	1,677,825	2,608,012
Including:		
General purpose bank accounts	1,279,729	869,690
Designated purpose bank accounts	398,096	1,738,322
Cash on hand	169,106	374,635
Total cash and cash equivalents	**1,846,931**	**2,982,647**

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

As at 31 December cash and cash equivalents are denominated in the following currencies:

	2018	2017
- UAH	1,341,303	2,711,677
- USD	482,073	253,741
- EUR	23,272	17,229
- CHF	283	-
Total cash and cash equivalents	**1,846,931**	**2,982,647**

In 2018 and 2017 bank balances payable on demand earned interest at fixed rates varying from 0% to 19.7% per annum.

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 2018	31 December 2017
	Bank balances payable on demand	
Neither past due nor impaired		
- *B1*	3,333	-
- *Caa1*	844,146	
- *Caa2*	-	2,362,877
- *Caa3*	-	13,496
- *Unrated*	830,346	231,639
Total	**1,677,825**	**2,608,012**

At 31 December 2018, the bank balances payable on demand in the amount of UAH 1,428,830 thousand (31 December 2017: UAH 2,595,748 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 a so-called referendum was held in Crimea on its secession from Ukraine and on 18 March 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 and 2018 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 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 2018 and 2017.

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 operating 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 PJSC with 100% shares held by the State of Ukraine. PJSC 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 PJSC with 6,518,597 authorised and outstanding ordinary shares with the nominal value of UAH 1,000 per share. As at 31 December 2018 and 2017, 100% shares of the Company 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 PJSC 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 disclosed 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.

14 Share capital (continued)

	Number of ordinary shares	Registered capital	Effect of corporatisation	Total
At 31 December 2018 / At 31 December 2017	6,518,597	6,518,597	(5,254,038)	**1,264,559**

As at 31 December 2018 and 2017, the net assets totalling UAH 2,267,925 thousand and UAH 2,798,759 thousand respectively 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.

15 Borrowings

The carrying amount of borrowings is as follows:

	31 December 2018	31 December 2017
Bonds	112,627	4,700
Term loan	-	319,178
Total borrowings	**112,627**	**323,878**

The term loan is denominated in USD.

Monetary and non-monetary movements in borrowings for the period are presented in the table below

	2018	2017
Opening balance as at 1 January	**323,878**	**290,973**
Monetary movements		
New borrowings obtained	104,308	4,700
Interest paid	(50,643)	(5,963)
Loan repaid	(235,238)	-
Non-monetary movements		
Restructured loan payable	(111,008)	-
Expenses related to servicing of bonds	54,162	-
Interest accrued during the period	25,582	23,746
Foreign exchange expense accrued during the period	1,586	8,560
Penalties accrued during the period	-	1,862
Closing balance as at 31 December	**112,627**	**323,878**

Bonds

During 2017, the Company registered an issue of registered 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 May 2019 and November 2020)
- C series: UAH 250,000 thousand (maturity in November 2023, redemption option in November 2019 and November 2021).

15 Borrowings (continued)

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% p.a. No early redemption is available exept the pre-determined dates. 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 redeemed some bonds. The balance outstanding as at 31 December 2018 totalled UAH 112,627 thousand.

Loan

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 (2017: 10.5%) and matures in December 2018. As at 31 December 2017, 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.

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.

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 leases

During 2018, the Company signed a number of finance lease agreements in the amount of UAH 219,246 thousand (including VAT) to upgrade its utility vehicles used for interregional and domestic transportation (during 2017: in the amount of UAH 108,810 thousand (including VAT)). Of this amount, the initial instalment totalled UAH 81,332 thousand (2017: UAH 40,800 thousand).

The Company recognised UAH 137,915 thousand as the payable under finance leases. The Company's finance lease liabilities are collateralised by rights to the leased property, plant and equipment. The amount payable under these agreements will be settled in instalments during 2018-2021. As at 31 December 2018, the balance of finance lease payables totals UAH 136,877 thousand, of which UAH 65,993 thousand is presented in non-current liabilities and UAH 70,884 thousand in current accounts payable on settlements for long-term liabilities (31 December 2017: the balance of finance lease payables totalled UAH 63,820 thousand, of which UAH 25,631 thousand was presented in non-current liabilities and UAH 38,189 thousand in current accounts payable on settlements for long-term liabilities).

15 Borrowings (continued)

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

	2018	2017
Opening balance as at 1 January	**63,820**	**-**
Non-monetary movements		
New leases acquired	137,915	68,010
Interest accrued during the period	25,874	2,071
Monetary movements		
Monthly instalments paid	(64,858)	(4,190)
Interest paid	(25,874)	(2,071)
Closing balance as at 31 December	**136,877**	**63,820**

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

	2018		2017	
	Minimum lease payments	**Present value of lease payments**	**Minimum lease payments**	**Present value of lease payments**
Not later than 1 year	87,916	65,993	49,437	38,189
Later than 1 year and not later than 5 years	83,174	70,884	30,738	25,631
Later than 5 years	-	-	-	-
Total minimum lease payments	171,090	136,877	80,175	63,820
Less future finance costs	(34,213)	-	(16,355)	-
Present value of minimum lease payments	136,877	136,877	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 2018, 75% of trade payables is denominated in SDR, 21% in UAH, 3% in USD and 1% in EUR (31 December 2017: 59% of trade payables is denominated in SDR and 41% 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 and parcels with origination in Ukraine to end recipients abroad. The value 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.

17 Accruals and other liabilities

	31 December 2018	31 December 2017
Accrued unused vacation	287,989	192,367
Accrued bonuses	28,856	20,473
Other accruals and provisions	13,343	9,717
Total accruals and other provisions	**330,188**	**222,557**

The increase in the accrued unused vacation provision is due to the 32% increase in the average salaries of the Company's employees in 2018 compared to the similar period of the previous year as a result of the increase in statutory minimum wage.

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 2018	31 December 2017
Delivery of periodicals	232,010	186,457
Unused postage stamps	120,903	97,355
Payments to third parties accepted	6,998	-
Other	4,366	2,902
Total deferred revenue	**364,277**	**286,714**

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 2018	31 December 2017
Collected amounts due to utility companies	533,789	404,288
Amounts due to publishers	468,914	469,706
Money transfers due to customers	329,281	270,904
Advanced pensions and other social payments	272,060	1,766,257
Amounts due for sold merchandise	116,032	103,369
Other	47,522	33,123
Other current liabilities	**1,767,598**	**3,047,647**

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. The decrease in the balance of these liabilities compared to the similar period of the previous year is due to the discontinued practice of paying out the portion of pensions relating to January in December that was in place during previous years.

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:

	2018	2017
Provision of postal services	**3,272,520**	**2,394,434**
Letters	1,492,160	1,053,821
Delivery of parcels, small packages	1,038,416	666,619
International postal exchange	692,434	574,478
Other postal services	49,510	99,516
Delivery of pensions and other social payments (Note 7)	**1,506,755**	**1,376,058**
Financial services	**989,526**	**742,780**
Utility payments	628,375	536,394
Postal money transfers	233,926	206,386
Other financial services	127,225	-
Sale of goods and other services	**581,114**	**560,323**
Sales of own goods and commission goods	385,133	375,997
Other	195,981	184,326
Subscription and distribution of periodicals	**441,621**	**332,189**
Total revenue from sales of goods, works and services	**6,791,536**	**5,405,784**

20 Revenue from sales of goods, works and services (continued)

Revenues are generated from the following geographical areas*:

	2018	2017
Ukraine	6,062,088	4,797,695
China	299,981	242,265
Russia	89,284	80,015
Estonia	72,192	9,361
Other countries	267,991	276,448
Total revenue from sales of goods, works and services	**6,791,536**	**5,405,784**

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

Timing of revenue recognition is presented below by source:

	2018	2017
At a point in time	**6,468,399**	**5,146,676**
Delivery of pensions and other social payments	1,506,755	1,376,058
Letters	1,492,160	1,053,821
Delivery of parcels, small packages	1,038,416	666,619
Financial services	989,526	742,780
International postal exchange	692,434	574,478
Sale of goods and other services	581,114	560,323
Subscription	118,484	73,081
Other postal services	49,510	99,516
Over time	**323,137**	**259,108**
Delivery of periodicals	323,137	259,108
Total revenue from sales of goods, works and services	**6,791,536**	**5,405,784**

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:

	2018	2017
Salaries and wages	3,490,916	2,648,898
Social contributions	869,368	671,880
Material costs	601,159	513,138
Costs paid to foreign postal operators	491,694	384,728
Depreciation and amortisation	253,962	173,065
Cost of goods sold	112,027	87,125
Bank commissions	80,266	82,176
Other	464,658	356,243
Total cost of sales of goods, works and services	**6,364,050**	**4,917,253**

22 Selling expenses

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

	2018	2017
Salaries and wages	130,643	103,108
Social contributions	33,546	26,222
Material costs	6,340	2,868
Advertising expenses	6,257	24,869
Depreciation and amortisation	1,409	2,878
Other	2,223	1,806
Total selling expenses	**180,418**	**161,751**

23 Administrative expenses

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

	2018	2017
Salaries and wages	629,114	567,269
Social contributions	96,939	94,006
Obligatory payments, taxes and fees	23,360	9,620
Depreciation and amortisation	16,233	10,875
Material costs	7,655	5,519
Other	44,155	20,475
Total administrative expenses	**817,456**	**707,764**

In 2018, the Company changed the presentation of salaries and wages due to revision of the classification of job roles between operating cost items that reallocated payroll costs between cost of sales, administrative expenses and selling expenses. In accordance with IAS 1, the changes were introduced retrospectively and comparatives for 2017 were presented appropriately to ensure their comparability with financial data of the current year (see Note 3).

24 Other operating expenses

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

	2018	2017
Salaries and wages	31,430	21,044
Foreign exchange losses less gains	19,918	-
Social contributions	19,348	15,703
Impairment of non-current assets	17,715	15,336
Fines and penalties	14,082	802
Charges to doubtful debt provision	9,128	10,328
Inventory shortages	9,000	3,318
Depreciation and amortisation	2,391	8,203
Other	7,660	21,497
Total other operating expenses	**130,672**	**96,231**

25 Other financial income

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

	2018	2017
Gain on restructured loan payable	111,008	-
Interest received on bank balances	40,202	32,551
Dividends received	2,894	2,474
Other	370	145
Total financial income	**154,474**	**35,170**

26 Financial expenses

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

	2018	2017
Expenses related to servicing of bonds	54,162	15
Expenses related to finance leases	25,874	2,071
Interest expense on term loans	25,582	23,746
Net exchange losses on foreign currency borrowings	1,586	8,573
Other	-	397
Total financial expenses	**107,204**	**34,802**

27 Other operating income

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

	2018	2017
Funding from the Universal Postal Union	15,166	23,367
Other	28,126	19,193
Foreign exchange gains less losses	-	116,918
Derecognition of current liabilities on occupied territories	-	111,846
Total other operating income	**43,292**	**271,324**

28 Income tax

	2018	2017
Deferred income tax benefit	(119,213)	(41,960)
Income tax credit for the year	**(119,213)**	**(41,960)**

The Company is subject to taxation in Ukraine. In 2018 and 2017, Ukrainian corporate income tax was levied on taxable income less allowable expenses at the rate of 18%.

	2018	2017
Loss before tax	**(626,994)**	**(219,440)**
Statutory income tax rate	**18%**	**18%**
Theoretical tax credit at the statutory tax rate	**(112,859)**	**(39,499)**
Revision of valuation of previously recognised liability	(8,005)	(6,614)
Effect of non-deductible expenses	1,651	4,153
Income tax for the year	**(119,213)**	**(41,960)**

28 Income tax (continued)

	1 January 2018	Charged through profit and loss	Effect of IFRS 9 adoption	31 December 2018
Tax effect of deductible/(taxable) temporary differences				
Tax loss carried forward	33,363	89,026	-	122,389
Accounts receivable	-	3,390	1,222	4,612
Construction in progress	3,254	618	-	3,872
Intangible assets	2,723	174	-	2,897
Other current accounts receivable	4,442	(2,816)	702	2,328
Trade and other payables	18,295	(18,295)	-	-
Deferred revenue	17,524	(17,524)	-	-
Short-term bank borrowings	10,736	(10,736)	-	-
Deferred tax asset	**90,337**	**43,837**	**1,924**	**136,098**
Less offsetting with deferred tax liability	(90,337)	(43,837)	(1,924)	(136,098)
Recognised deferred tax asset	**-**	**-**	**-**	**-**
Property, plant and equipment and investment property	(259,629)	9,268	-	(250,361)
Accounts receivable	(66,108)	66,108	-	-
Deferred tax liability	**(325,737)**	**75,376**	**-**	**(250,361)**
Less offsetting with deferred tax assets	90,337	43,837	1,924	136,098
Recognised deferred tax liability	**(235,400)**	**119,213**	**1,924**	**(114,263)**

It is expected that all tax differences, except those arising on property, plant and equipment and investment property and tax loss carried forward will be utilised within the next accounting period.

28 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)**

29 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.

UCT liabilities. As disclosed in Note 13, 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.

30 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 1,974,818 thousand (31 December 2017: UAH 3,538,351 thousand) being the carrying amount of financial accounts receivable 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.

30 Financial risk management (continued)

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

Counterparty	Classification in balance sheet	31 December 2018	31 December 2017
PJSC "State Savings Bank of Ukraine"*	Cash and cash equivalents	827,694	2,350,612
PJSC JSB "Ukrgasbank"*	Cash and cash equivalents	360,250	231,383
Russia Post	Trade and other receivables	35,013	28,357
Estonia Post	Trade and other receivables	21,013	7,268
Malaysia Post	Trade and other receivables	10,591	20,249
China Post	Trade and other receivables	-	496,258
The Netherlands Post (PostNL)	Trade and other receivables	2,892	55,011
Singapore Post	Trade and other receivables	-	52,834

* These banks are state-owned banks 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.

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 2018	31 December 2017
Monetary financial assets	621,403	1,050,547
Monetary financial liabilities	(427,856)	(610,916)
Net balance sheet position	193,547	439,631

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 31,742 thousand, respectively (31 December 2017: UAH 72,099 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.

30 Financial risk management (continued)

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 2018 is as follows:

	Less than 3 months	From 3 months to 1 year	From 1 to 5 years
Liabilities			
Other current liabilities	1,767,598	-	-
Trade accounts payable	541,590	-	-
Borrowings	-	112,627	-
Finance leases	27,788	60,128	83,174
Total future payments, including principal and interest	**2,336,976**	**172,755**	**83,174**

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

	Less than 3 months	From 3 months to 1 year	From 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**

31 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.

32 Accounting policies before 1 January 2018

Accounting policies applicable to the comparative period ended 31 December 2017 that were amended by IFRS 9 and IFRS 15, are as follows:

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.

32 Accounting policies before 1 January 2018 (continued)

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.

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.

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.

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.

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.

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.

32 Accounting policies before 1 January 2018 (continued)

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.

33 Subsequent events

In October 2019, the Ukrainian Parliament passed the Law of Ukraine "On leases of state-owned and municipal property" (which was registered as draft law No 1055-1) ("Law 1055-1"). As at the date of approval of these financial statements this Law 1055-1 has not yet become effective.

Law 1055-1 defines key steps in transferring state-owned and municipal property for lease that are designed to ensure transparent and competitive leases of assets and maximise economic benefits to local authorities from such leases. In particular, the law provides for holding an auction for the right to lease assets or providing the asset for lease without an auction (under certain circumstances), signing and publishing the lease agreement in the electronic trading system.

The Company currently leases over 6.7 thousand real estate properties that represent state-owned and municipal assets, of which over 4 thousand properties are leased by the Company at preferential rental rates.

Management believes that implementation of Law 1055-1 will have the following effect on the Company's financial statements in future periods:

- increase in the Company's expenses as a result of bidding in an auction for the right of lease;
- increase in the number of agreements under which IFRS 16 "Leases", requires recognising right-of-use assets and lease liabilities.

On 20 October 2019, the Law of Ukraine No 145-IX of 2 October 2019 *On repeal of the law On the list of state-owned assets that are not subject to privatisation* ("Law 145-IX") became effective and excluded the Company from this list. Law 145-IX also excluded the Company from Article 4 of the Law of Ukraine *On privatisation of state-owned and municipal property*, which lists the assets that cannot be privatised.

Management believes that in the future this will facilitate investments and other forms of business finance, in particular, through disposal of non-core assets, which are not used in business operations and are included in property, plant and equipment in these financial statements. This will help generate additional resources to finance development of outlet infrastructure, increase regional presence and improve the quality of services provided.

In December 2019, the decision on the increase in the tariff for pension delivery by 45% has been taken by the government of Ukraine with effect from 1 January 2020.

No significant events were identified that would require adjustments or disclosures in the Company's financial statements for the year ended 31 December 2018.

Authorised for issue and signed:

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