SC “Ukrposhta”

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

31 December 2021

Contents

28 Fizkultury Street Kyiv,
03150 Ukraine
T: + 380 (44) 284 18 65
Ф: + 380 (44) 284 18 66

info@bakertilly.ua
www.bakertilly.ua

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Supervisory board of STOCK COMPANY "UKRPOSHTA"

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of *STOCK COMPANY* "UKRPOSHTA" (hereinafter – the "Company"), which comprise:

- the balance sheet (statement of financial position) (form No.1) as at 31 December 2021;
- the statement of financial results (statement of comprehensive income) (form No.2), the statement of cash flows (by indirect method) (form No.3) and the statement of changes in equity (form No.4) for the year then ended; and
- notes to the financial statements, including a brief summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021 and its financial results and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and with financial reporting requirements of the Law of Ukraine "On accounting and financial reporting in Ukraine" ("Law on accounting and financial reporting").

Basis for Qualified Opinion

For the year ended 31 December 2021, the Company recognised sales of own goods and commission goods of UAH 448,185 thousand (2020: UAH 402,929 thousand). As at 31 December 2021, the Company recognized accounts payable for the sold goods as a component of other current liabilities of UAH 114,978 thousand (2020: UAH 112,290 thousand). Due to deficiencies of accounting systems relating to sales of own goods and commission goods we were unable to obtain sufficient and appropriate audit evidence with respect to these amounts. Consequently, we were not able to determine whether any adjustments to the other current liabilities as at 31 December 2021 and respective sales for the year then ended were necessary. Our opinion on the financial statements for the year ended 31 December 2020 was modified accordingly.

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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Ukraine, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3 and Note 34 to the financial statements, which indicates that since 24 February 2022 the Company's operations are negatively affected by the ongoing military invasion of Ukraine, with the magnitude of further developments or the timing of their cessation being uncertain. As a result of these events, the Company has experienced significant cash outflows at the operating level, which could lead to covenant breaches during 2022 and, as a result, give the Company's certain lenders the legal right to demand early repayment. As presented in Note 3, these conditions, along with other matters as set forth in Note 34 indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

bakertilly

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

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

Key audit matter	How our audit addressed the key audit matter
Revenues and expenses related to international postal exchange, UAH 883,178 thousand and UAH 1,209,779 thousand *Refer to Notes 20 and 21*	
We focused our attention on this area as a key audit area because revenue is a significant risk and revenues and expenses from international postal exchange are recognised during the year based on estimates made by management on the basis of the volume of transactions agreed with each individual foreign postal operator and tariffs, approved by the Universal Postal Union (UPU) and its rules. The final amounts are agreed between parties after the end of the reporting period and therefore the estimates could be subject to adjustment. The Company performs a detailed calculation based on recorded volumes and the UPU tariffs. The Company subsequently confirms first the volume information, and later the amount of revenues and expenses in annual, quarterly or monthly invoices issued to and received from individual countries.	We applied different testing approaches to revenue and expenses from international postal exchange depending on the stage of invoices confirmation, namely: - 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 UPU. - Further, we tested on a sampling basis revenues and expenses for 2020 agreeing them with relevant amounts in invoices confirmed with postal operators from other countries, obtained after the issue date of financial statements for 2020. - Additionally, we tested roll-forward of related receivables due from and payables due to postal operators of other countries. In this test, the accrued revenues and expenses were agreed to amount as per invoice of the relevant postal operator. - Also, we recalculated foreign exchange differences that result from receivable and payable balances with postal operators of other countries. - We agreed revenues and expenses recognised in the end of the year with data in information notices about dates when relevant shipments have been obtained. In particular, we concentrated on time when relevant revenues and expenses were recognised. We did not find any significant discrepancy based on the results of these tests.

Revenue from sales of goods, works and services UAH 9,850,505 thousand

Refer to Note 20

This key audit matter relates to the revenue from sales of goods, works and services, except for sales of own goods and commission goods of UAH 448,185 thousand, as described above in the Basis for Qualified Opinion section of our audit report, and except for revenues from international postal exchange of UAH 883,178 thousand, as described above as key audit matter.

Recognition of revenue is a complicated process, considering significant volume of transactions, number of different sources of revenue and electronic systems to account them. The portion of revenue that is accrued by the Company from individuals involves numerous transactions of small amounts paid in cash. Other part of revenue mainly relates to 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. 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 analyzed the accounting policy in respect to the recognition of revenue from rendering of main types of services and obtained an understanding of business processes, internal control systems and inherent document-flow.

In regards to recognition of revenue our procedures included the following:

- Allocation of revenue for testing to revenue settled in cash, revenue settled through direct payments to the bank accounts, and acquiring transactions.
- An analysis of accounting entries for recognition of revenues from rendered services in accounting records and related allocation on analytical accounts between cash revenues, acquiring transactions and revenues settled through payments to the bank accounts.
- Tracing on a sampling basis of accounting entries relating to cash revenues with relevant cash statements.
- Overview of operating IT systems, including the new ERP system.
- Tests of control and substantive procedures in respect of cash revenues and revenues from acquiring transactions.
- Substantive procedures in respect of revenues settled through direct payments to the bank accounts.
- We tested calculation of balances of deferred revenue stemming from unused postage stamps as at the reporting date, 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.
- Testing the calculation of deferred revenue for the delivery of parcels, small packages and cash payments for compliance with the volume of accepted, but not completed, services as at the reporting date.

We did not find any significant discrepancy based on the results of these tests.

Other Information

Management is responsible for the other information. The other information comprises the management report prepared based on the requirements established by Law of Ukraine "On accounting and financial reporting in Ukraine", and the Annual Information of the Issuer of Securities for 2021 (which includes as a part of the management report the report on corporate governance) prepared based on the requirements established by Law of Ukraine "On securities and stock market", but does not include the financial statements and our auditor's report thereon. The management report and the Annual Information of the Issuer of Securities for 2021 is expected to be made available to us after the date of this auditor's report.

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

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

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

bakertilly

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 IFRSs and comply with the requirements for the preparation of financial statements established by Law of Ukraine "On accounting and financial statements 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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' 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 Requirements

Other information required by Article 14 of Law of Ukraine "On the audit of financial statements and audit activity"

Pursuant to the requirements of Article 14 of Law of Ukraine "On the audit of financial statements and audit activity" we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of the auditor and period of engagement

We have been appointed as auditor for the first time by the decision of Supervisory Board on 16 November 2020 to perform a statutory audit of the financial statements of the Company for 2020 – 2022 years. The total period of the uninterrupted engagement for performing the statutory audit of the financial statements of the Company is 2 years.

Provision of non-audit services and independence

We confirm that to the best of our knowledge and belief we have not provided any prohibited non-audit services to the Company or to entities controlled by the Company referred to in Article 6 paragraph 4 of Law of Ukraine "On the audit of financial statements and audit activity". We, including our partner in charge, remain independent of the Company in conducting the audit.

In addition, there are no other services, which were provided by us to the Company or its controlled entities except for the statutory audit that have not been disclosed in the financial statements.

Consistency with an additional report for the audit committee

We confirm that our audit opinion on the financial statements expressed in this independent auditor's report is consistent with the additional report to the Audit Committee or its equivalent.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

We develop and perform audit procedures in accordance with our responsibilities set forth above in the *Auditor's Responsibilities for the Audit of the Financial Statements* section, in response to assessed risks of material misstatement due to fraud and to identify non-compliance with laws and regulations that may have a material impact on the financial statements. However, the primary responsibility for preventing and detecting fraud and compliance with laws and regulations lies with those charged with governance and the Company's management.

The extent to which our procedures are capable of detecting violations, including fraud, depends on the difficulties faced by auditors in detecting significant misstatements in the financial statements due to fraud, the effectiveness of the Company's controls, and the nature, timing and extent of further audit procedures. A violation due to fraud has a higher risk of not detecting significant misstatement than the risk of failing to detect it due to error, as fraud can involve complex and carefully designed schemes to conceal it. The auditor's ability to detect fraud depends on factors such as the violator's experience, frequency and extent of manipulation, the degree of conspiracy, the relative size of the individual amounts being manipulated, and the position of the persons involved.

Our procedures for identifying and assessing potential risks associated with violations included, inter alia:

- gaining an understanding of the laws and regulations that apply to the Company and constitute the regulatory framework of its activities;
- identification of laws and regulations that directly affect the financial statements or that had a fundamental impact on the Company's activities;
- an assessment of the circumstances under which and at what stage the Company's financial statements may be vulnerable to material misstatement due to fraud, including the manner in which fraud was committed;
- review of information provided by management, those charged with governance and in-house lawyers on existing and potential lawsuits and claims;
- perform analytical procedures to identify any unusual or unexpected relationships that may indicate the risk of material misstatement due to fraud;
- assessment of the operational effectiveness of controls, including IT controls, designed to prevent and detect fraud;
- review of internal reports of the Security Department and Internal Audit Services of the Company for the reporting period;
- testing the compliance of entries reflected in the general ledger and other adjustments; assessment of whether judgments and decisions made by management in determining accounting estimates indicate bias; and assessing the feasibility of significant transactions that are unusual or out of the ordinary course of business.

As a result of our risk identification and assessment procedures, we have identified the accounting of revenues from sales of goods, works and services and revenues and expenses related to international postal exchange as key audit matters. The *Key audit matters* section of our report explains these matters in more detail, as well as describes our specific procedures in response to the assessed risks.

We also reported relevant identified laws and regulations, potential fraud risks to all members of the audit engagement team, including internal experts, and remained alert throughout the audit for any signs of fraud or non-compliance with laws and regulations.

bakertilly

Other information provided in accordance with the Resolution №555 "On approval of information requirements related to audit or review of financial statements of capital market participants and organized commodity markets, supervision which is carried out by the National Securities and Stock Market Commission", approved by the National Securities and Stock Market Commission on 22 July 2021

In accordance with the Resolution №555 "On approval of information requirements related to audit or review of financial statements of capital market participants and organized commodity markets, supervision which is carried out by the National Securities and Stock Market Commission", approved by the National Securities and Stock Market Commission on 22 July 2021, we report the following:

- The full name of the Company, ownership structure and information about the beneficiary owner are given in Note 1 to the financial statements.
- As at 31 December 2021, the Company had no parent / subsidiary companies.
- The Company is a public interest entity in accordance with the Law of Ukraine "On accounting and financial reporting in Ukraine" № 996-XIV.
- The Company is not subject to prudential indicators set by the NSSMC for professional participants in capital markets and organized commodity markets in accordance with the "Regulation on prudential standards of professional activity in the stock market and the requirements for the risk management system" approved by the NSSMC №1597 dated 1 October 2015.
- We performed an audit of the financial statements of the Company in accordance with the agreement №201120-01 /143Пі dated 20 November 2020. The audit engagement started 15 October 2021 and ended 09 June 2022.
- The results of the audit of the audit commission are not given, as the Company does not have an audit commission.

The partner in charge

The partner in charge of the audit resulting in this independent auditor's report is Yulia Gumenyuk.

Partner

"BAKER TILLY UKRAINE" LLP

Registration number in the Register of auditors and audit firms: No. 100794.

Yulia Gumenyuk

09 June 2022

Kyiv, Ukraine

Basic information about the audit firm

Full name: BAKER TILLY UKRAINE Limited Liability Partnership
Location: 3, Hrekova Street, apt. 9, Kyiv, 04112
Actual address: 28, Fizkultury Street, Kyiv, 03150.
Registration number in the Register of auditors and audit firms: No. 2091.

All amounts are presented in thousands of Ukrainian Hryvnia

Enterprise: **SC "Ukrposhta"**
Territory: **Ukraine, Kyiv, Shevchenkivskyi district**
Organisational and legal form of economic activity: **State Stock Company (company)**
Type of economic activity: **National postal services**
Average number of employees: **61,779**
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

Asset	Note	Line code	31 December 2020 (restated)	31 December 2021
I. Non-current assets				
Intangible assets		1000	18 695	55 518
historical cost		1001	115 114	150 078
amortisation		1002	(96 419)	(94 560)
Capital investments in progress	9	1005	65 889	320 864
Property, plant and equipment	9	1010	3 410 581	3 830 957
historical cost		1011	5 401 367	6 160 904
depreciation		1012	(1 990 786)	(2 329 947)
Investment property	9	1015	117 377	100 693
historical cost		1016	120 829	107 386
depreciation		1017	(3 452)	(6 693)
Other financial investments		1035	17 925	19 078
Long-term accounts receivable		1040	209	196
Deferred tax assets		1045	-	-
Total Section I		**1095**	**3 630 676**	**4 327 306**
II. Current assets				
Inventory	10	1100	225 554	293 899
production stock		1101	161 138	231 750
work in process		1102	4 170	11
finished goods		1103	11 518	-
goods for resale		1104	48 728	62 138
Accounts receivable for goods, works and services	11	1125	335 516	401 152
historical cost		1125.1	371 650	459 406
impairment provision		1125.2	(36 134)	(58 254)
Accounts receivable on settlements: for advances issued	11	1130	24 818	35 830
with the budget	11	1135	17 197	8 942
including corporate profit tax prepaid		1136	13 260	-
on accrued income	11	1140	8 785	8 686
Other current accounts receivable	11	1155	97 356	155 828
historical cost		1155.1	118 956	179 138
impairment provision		1155.2	(21 600)	(23 310)
Current financial investments	12	1160	195 095	1 509 233
Cash and cash equivalents	12	1165	5 246 112	3 893 395
Cash on hand		1166	493 831	119 329
Current accounts		1167	4 752 281	3 774 066
Other current assets		1190	29 695	57 720
Total Section II		**1195**	**6 180 128**	**6 364 685**
III. Non-current assets held for sale and disposal groups	**9**	**1200**	**98 659**	**75 643**
Balance		**1300**	**9 909 463**	**10 767 634**

All amounts are presented in thousands of Ukrainian Hryvnia

Balance Sheet (Statement of Financial Position) (continued)

		Form No. 1	DKUD Code	1801001
Liabilities	**Note**	**Line code**	**31 December 2020 (restated)**	**31 December 2021**
I. Equity				
Registered (share) capital	14	1400	6 518 597	6 518 597
Revaluation effect on corporatisation	14	1416	(5 254 038)	(5 254 038)
Retained earnings	6	1420	1 317 807	1 413 330
Total Section I		**1495**	**2 582 366**	**2 677 889**
II. Long-term liabilities and provisions				
Deferred tax liabilities	30	1500	201 646	189 105
Long-term bank borrowings	15	1510	65 878	612 878
Other long-term liabilities	15,6	1515	361 220	318 515
Total Section II		**1595**	**628 744**	**1 120 498**
III. Current liabilities and provisions				
Short-term bank borrowings	15,6	1600	250 758	127 223
Current accounts payable on settlements: for long-term liabilities	15	1610	168 707	217 288
for goods, works, services	16	1615	1 103 112	1 733 721
with the budget		1620	99 315	137 553
including liability on income tax		1621	-	22 028
for insurance		1625	55 484	84 806
on payroll		1630	205 345	250 279
Current accounts payable on advances received		1635	259 671	191 403
Current accounts payable on settlements with shareholder	14	1640	49 477	55 075
Accruals and other provisions	17	1660	502 007	614 309
Deferred revenue	18	1665	413 663	499 055
Other current liabilities	19	1690	3 590 814	3 058 535
Total Section III		**1695**	**6 698 353**	**6 969 247**
BALANCE		**1900**	**9 909 463**	**10 767 634**

Approved for issue and signed on 9 June 2022.

УКРПОШТА
ГОЛОВНА ПОШТА КРАЇНИ
ІДЕНТИФІКАЦІЙНИЙ КОД 21560045

I. Smelyansky
General Director

M. Paliy
Deputy General Director of Finance

O. Chorna
Acting Chief Accountant

Notes on pages 7- 49 form an integral part of these financial statements.

All amounts are presented in thousands of Ukrainian Hryvnia

Enterprise: SC "Ukrposhta"

Statement of Financial Results (Statement of Comprehensive Income)

for 2021

Form No. 2 DKUD Code 1801003

I. FINANCIAL RESULTS

Item	Note	Line code	For the reporting period - 2021	For the prior period - 2020 (restated)
1		2	3	4
Net revenue from sales of goods, works and services	20	2000	11 181 868	9 182 437
Cost of sales of goods, works and services	21	2050	(9 536 425)	(7 774 565)
Gross:				
Profit		2090	**1 645 443**	**1 407 872**
Loss		2095	-	-
Other operating income	27,6	2120	309 471	259 383
Administrative expenses	23	2130	(1 324 050)	(1 136 999)
Selling expenses	22	2150	(259 349)	(211 367)
Other operating expenses	24,6	2180	(170 034)	(147 237)
Financial results from operating activities:				
Profit		2190	**201 481**	**171 652**
Loss		2195	-	-
Other financial income	25	2220	104 904	94 517
Other income	28	2240	91 705	68 959
Financial expenses	26,6	2250	(114 569)	(86 028)
Other expenses	29	2270	(45 575)	(45 477)
Financial result before taxation:				
Profit		2290	**237 946**	**203 623**
Loss		2295	-	-
Income tax (expense)/credit	30	2300	(54 364)	(42 383)
Net financial result:				
Profit		2350	**183 582**	**161 240**
Loss		2355	-	-

II. COMPREHENSIVE INCOME

Item	Note	Line code	For the reporting period - 2021	For the prior period - 2020 (restated)
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**	**183 582**	**161 240**

Notes on pages 7- 49 form an integral part of these financial statements.

All amounts are presented in thousands of Ukrainian Hryvnia

Statement of Financial Results (Statement of Comprehensive Income)
for 2021
(continued)

Form No. 2

III. ELEMENTS OF OPERATING EXPENSES

Item	Note	Line code	For the reporting period - 2021	For the prior period - 2020 (restated)
1		2	3	4
Material expenses		2500	645 645	520 443
Payroll		2505	6 194 389	5 280 313
Social payments		2510	1 461 785	1 237 219
Depreciation/amortisation		2515	454 092	354 882
Other operating expenses		2520	2 437 060	1 784 579
Cost of goods sold		2530	96 887	92 732
Total		**2550**	**11 289 858**	**9 270 168**

IV. CALCULATION OF SHARES PROFITABILITY

Item	Note	Line code	For the reporting period - 2021	For the prior period - 2020
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 9 June 2022.

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

I. Smelyansky
General Director

M. Paliy
Deputy General Director of Finance

O. Chorna
Acting Chief Accountant

Notes on pages 7- 49 form an integral part of these financial statements.

All amounts are presented in thousands of Ukrainian Hryvnia

Enterprise: SC "Ukrposhta"

Statement of cash flows (indirect method)
for 2021

Form No. 3 DKUD code 1801004

Item	Note	Line code	For the reporting period - 2021	For the prior period – 2020 (restated)
1		2	3	4
I. Cash flows from operating activities				
Profit / (loss) before tax	6	3500	237 946	203 623
Adjustments for: Depreciation, amortisation and impairment of non-current assets		3505	465 782	364 271
Increase (decrease) in provisions		3510	148 557	96 220
Unrealised foreign exchange loss (gain)	6	3515	(9 469)	11 663
Loss / (gain) from non-operating activities and other non-cash transactions		3520	(92 107)	(67 793)
Financial expenses	26,6	3540	114 569	86 028
Finance income	25	3524	(104 904)	(94 517)
Decrease (increase) in current assets		3550	(294 822)	(80 903)
Increase (decrease) in current liabilities		3560	141 920	1 450 923
Increase (decrease) of deferred income		3566	85 392	12 033
Cash flows from operating activities		**3570**	**692 864**	**1 981 548**
Income tax paid		3580	(31 616)	(62 239)
Interest paid		3585	(141 155)	(87 413)
Net cash from operating activities		**3195**	**520 093**	**1 831 896**
II. Cash flows from investing activities				
Proceeds from sale of non-current assets		3205	169 638	94 188
Interest and dividends received		3215	105 061	92 740
Payments for acquisition of: financial investments	12	3255	(1 314 138)	(195 095)
non-current assets		3260	(977 477)	(104 321)
Net cash used in investing activities		**3295**	**(2 016 916)**	**(112 488)**
III. Cash flows from financing activities				
Proceeds from borrowings		3305	926 530	310 135
Dividends paid		3355	(82 462)	(202 679)
Repayment of lease liabilities		3365	(226 701)	(227 484)
Repayment of borrowings		3350	(472 479)	(30 700)
Net cash used in financing activities		**3395**	**144 888**	**(150 728)**
Net cash flow for the reporting period		3400	(1 351 935)	1 568 680
Cash and cash equivalents at the beginning of the year		3405	5 246 112	3 675 137
Impact of change in foreign exchange rates		3410	(782)	2 295
Cash and cash equivalents at the end of the year	**12**	**3415**	**3 893 395**	**5 246 112**

Approved for issue and signed on 9 June 2022.

I. Smelyansky
General Director

M. Paliy
Deputy General Director of Finance

O. Chorna
Acting Chief Accountant

All amounts are presented in thousands of Ukrainian Hryvnia

SC "Ukrposhta"

Statement of Changes in Equity

for 2021

Form No. 4 DKUD code 1801005

Item	Line code	Registered (share) capital	Revaluation effect on corporatisation	Retained earnings	Total
1	2	3	4	5	6
Balance at the beginning of the year (as previously reported)	4000	**6 518 597**	**(5 254 038)**	**1 321 490**	**2 586 049**
Correction of errors (Note 6)	4010	-	-	(3 683)	**(3 683)**
Corrected balance at the beginning of the year	**4095**	**6 518 597**	**(5 254 038)**	**1 317 807**	**2 582 366**
Net profit for the reporting period	4100	-	-	183 582	**183 582**
Current accounts payable on settlements with shareholder (Note 14)	4215	-	-	(88 059)	**(88 059)**
Changes in equity, total	**4295**	-	-	**95 523**	**95 523**
Balance at the year end	**4300**	**6 518 597**	**(5 254 038)**	**1 413 330**	**2 677 889**

Statement of Changes in Equity

for 2020 (restated)

Form No. 4 DKUD code 1801005

Item	Line code	Registered (share) 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)**	**1 287 116**	**2 551 675**
Correction of errors (Note 6)	4010	-	-	-	-
Corrected balance at the beginning of the year		**6 518 597**	**(5 254 038)**	**1 287 116**	**2 551 675**
Net profit for the reporting period (restated, Note 6)	4100	-	-	161 240	**161 240**
Current accounts payable on settlements with shareholder (Note 14)	4215	-	-	(130 549)	**(130 549)**
Changes in equity, total	**4295**	-	-	**30 691**	**30 691**
Balance at the year end	**4300**	**6 518 597**	**(5 254 038)**	**1 317 807**	**2 582 366**

Approved for issue and signed on 9 June 2022.

I. Smelyansky	M. Paliy	O. Chorna
General Director	Deputy General Director of Finance	Acting Chief Accountant

Notes on pages 7- 49 form an integral part of these financial statements.

All amounts in tables are presented in thousands of Ukrainian Hryvnia

1 SC “Ukrposhta”

Stock Company Ukrposhta (hereinafter SC 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 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 SC 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 of 31 December 2021 the Supervisory Board included:

Position	Full name
Chairman of the Supervisory Board	Mr. Benoit Pleska
Member of the Supervisory Board, Chairman of the Audit Committee	Mr. Jakub Karnowski
Member of the Supervisory Board, Chairman of the Nomination and Remuneration Committee	Mr. Tommy Jensen
Member of the Supervisory Board, Chairman of Postal Logistics and Parcels Committee	Mr. Joona Saluveer
Member of the Supervisory Board	Ms. Oksana Volchko
Member of the Supervisory Board	Mr. Zinkin Alexander
Member of the Supervisory Board, Deputy Chairman of the Supervisory board	Mr. Safarov Farid

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 2021, the Company operates 9,020 postal offices in Ukraine (31 December 2020: 10,505). The average number of its employees is 61,779 people for 2021 (2020: 63,856).

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

2 Operating environment

During last years, the Ukrainian economy was showing signs of stabilisation and growth after a sharp decrease in 2014-2016. After recovering during 2016-2019, in 2020 and 2021 Ukraine's economy was negatively affected by the global economic crisis caused by the COVID-19 pandemic. Ukraine’s economic growth rate in 2021 is lower than in other European countries with emerging markets.

In general, in 2021 economy was gradually recovering due to less strict quarantine restrictions in comparison to 2020 and adaptation of economic entities and population to the new COVID reality. Most sectors responded adequately both to the challenges and to the Government’s stimulating activities, as well as to the restoration of the activities within the world’s economy. According to the State Statistics Service, in 2021 Ukraine’s economy showed annual growth of only 3,2%, which did not compensate for the 4% drop in 2020. The Government continued the implementation of various anti-crisis programs for dedicated financial support of population and business, particularly the implementation of measures within the State Program for stimulation of the economy in order to overcome negative consequences caused by restrictions related to prevention of emergence and spread of COVID-19 acute respiratory infection.

The official UAH to USD exchange rate as of 31 December 2021 was UAH 27.2782 to USD 1, in comparison with UAH 28.2746 to USD 1 as of 31 December 2020. According to the resolution of the Board of the National Bank of Ukraine No. 24-rsh of 20 January 2022 “On Discount Rate Level”, it was resolved to increase the discount rate to 10% per annum. Realization of a significant number of inflation risks required strengthening of the NBU’s monetary policy in order to improve the inflation expectations. At the end of the year, inflation was decreasing due to record harvest and correction of certain world food prices, impact of UAH strengthening during the previous months, exhaustion of the low comparison base and strengthening of the monetary policy. The inflation was restrained by the administrative decisions aimed at fixing tariffs for certain housing and utility services. As a result, the increase of consumer prices slowed down from 11% in September 2021 to 10% in December 2021.

In June 2020, the IMF Board of Directors approved the 18-month Stand-by assistance (SBA) programme for Ukraine, totalling 3.6 billion SDR (about USD 5 billion). The programme was intended to support the macroeconomic stability, to mitigate economic effects of the crisis, to ensure perpetual independence of the National Bank of Ukraine and a flexible exchange rate as well as to facilitate implementation of key public governance and anti-corruption measures. Continuation of cooperation with the IMF depends on Ukraine’s success in implementing policies and reforms that underpin a new IMF-supported programme.

Further progress with respect to cooperation with the IMF is one of the main factors contributing to more stable economic development. The IMF funding provided a significant support for the Ukraine’s economy in 2020–2021. Cooperation with the Fund will be equally important in the future, especially in the context of the current deterioration of the information background due to the tense geopolitical situation and increase of competition for foreign capital with the countries with emerging markets, caused by more strict monetary conditions in the world.

In addition, the deterioration of the information background due to the geopolitical tensions at the end of the last year affected the mood of various groups of economic entities and caused devaluation pressure on UAH. Since 24 February 2022 russian troops began their invasion of Ukraine. The ongoing military attack has already caused significant casualties, displacement of population, damage to infrastructure and disruption of economic activities in Ukraine.

The war in Ukraine and the events related therewith are taking place during a significant global economic uncertainty and volatility. Its consequences will possibly interact with the current market conditions and deepen them. Some jurisdictions are already encountering the consequences of the increase in prices for raw materials caused by the increase of consumer demand. Bottlenecks within supply chains caused by the consequences of the pandemic will remain and strengthen due to the lack of workforce and trade disputes. These conditions may increase significantly due to the consequences of the war in Ukraine and increase of the inflation pressure.

In the context of political and economic events during recent years, especially in the context of the russian federation’s military aggression, the degree of uncertainty including in respect of the future direction of the reforms remains very high. In addition, the negative trends in world markets due to the coronavirus pandemic may further affect the economy of Ukraine.

Despite certain improvements in 2019-2021, 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, excluding other financial investments that are measured at fair value. 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 unless otherwise stated (refer to Note 5).

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

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

Going concern. As of 31 December 2021, the Company’s current liabilities exceeded its current assets by UAH 604,562 thousand (31 December 2020: by UAH 518,225 thousand, considering the restatement (Note 6)). The factors leading to working capital deficit are provided below in details.

Major portion of the Company’s services are regulated. Consequently, the costs of rendering services are impacted directly by general inflation and salary increase whereas regulated 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 4,723 in 1 January 2020 to UAH 5,000 in 1 September 2020, to UAH 6,000 from 1 January 2021 and to UAH 6,500 from 1 December 2021. Since payroll costs with related social tax accruals are the major cost element of the Company the increase in the minimum salary became the most important reason of the working capital deficit as of 31 December 2021 and 31 December 2020.

On 24 February 2022 russian federation began a full-scale military invasion of Ukraine. This was followed by the imposition of martial law by the Decree of the President of Ukraine, approved by the Verkhovna Rada of Ukraine, including imposition of temporary restrictions influencing the economic environment. Considering the above, the Company made an assessment of the going concern assumption, on the basis of which these financial statements were prepared. The Company’s activities were significantly influenced by the war, there is an uncertainty with respect to the development of the russian federation’s military invasion of Ukraine, its duration and impact on the Company’s activities, as well as its personnel, liquidity and preservation of assets.

Main specific risk factors include:

- Safety of fixed assets, depending on the development of the military events. The losses include physical destruction or damage of property, as well as write-off due to loss of access or control over the property;
- Decrease of the level of activity due to decrease of the area covered by the postal network, operating failures, including due to hacker attacks, and decrease of demand for certain types of services;
- Possibility of raising funds to finance the Company’s operating activities;
- Other factors.

The military operations have caused a shock decrease of the Company’s operating activities, especially during the first month of the invasion. In the context of stable labor expenses at the beginning of the war and significant increase of transportation expenses due to logistic delays and increase of fuel prices, the Company encountered a significant cash outflow at the operating level within February - April 2022.

Due to the military operations, the Company has temporarily lost control over approximately 12% of its post offices, mostly within the occupied areas of Luhansk, Donetsk, Kherson and Zaporizhzhia regions.

In addition, in accordance with the Resolution of the Government No. 305 of 17 March 2022, the Company was entrusted with additional responsibilities with respect to free transportation of the property of the state Ukrainian enterprises, institutions and organizations within their evacuation from the combat area, as well as humanitarian supply of food.

3 Significant accounting policies (continued)

In order to analyze the impact of the risk of shortfall of profit due to the military operations and the Company’s ability to continue as a going concern, the management has prepared revised financial forecast for the period until 30 June 2023, showing that the Company has appropriate net cash proceeds and is able to perform its obligations in the foreseeable future.

The forecast has been prepared with the use of the prudence principle, on the basis of the data available as of the date of approval of these financial statements, as well as further assumptions and measures implemented or planned by the management:

- the volume of processed letters will reduce in 2022 by 50% compared to last year, with gradual restoration from 2023;
- the volume of parcels will remain at the level of the previous year, notwithstanding the stable trend for 30% increase prior to the war;
- decrease of pensions by 15% compared to last year, which significantly exceeds the historical fall rate. However, the Company managed to preserve the customer base in times of war, since it never suspended its activities and operated in the areas of the country where banking institutions were often closed;
- decrease of utility payments by more than 20% compared to last year, caused by both migration of the population and destruction of the utilities infrastructure, as well as introduction of payment holidays in certain areas;
- increase of revenue from sales of own and commission goods by 30% compared to last year, since the Company ensured the sufficient level of product stocks at low prices, first of all, essential products;
- measures taken for optimization of the personnel and expenses for the new reduced volume of business, which particularly allowed to reduce the labour costs approximately by 20%;
- measures taken in order to obtain more loyal conditions and terms of settlements with foreign postal operators;
- implementation of strategic investment projects such as “Logistics Network” and “Rural Post Office”, funded primarily by loan facilities including from international financial institutions;
- lack of the creditors’ intentions with respect to early repayment of obligations. There is a risk of breach of financial covenants under the loan agreement with EBRD for future testing dates (30 June 2022 and 31 December 2022), based on the negative financial results for February - April 2022. In case of such breach of the financial covenants, EBRD, as the creditor, shall be entitled to request an early repayment of the loan obligations. The management is planning to apply to EBRD with a request to provide a waiver letter in order to ease the requirements with respect to compliance with the financial covenants for 2022. The management considers that further implementation of strategic investment projects in cooperation with EBRD after the beginning of the military operations demonstrates the creditor’s intention for constructive resolution of this matter. The volume of cash flows preventing any gaps in liquidity significantly depends on the EBRD’s intentions not to demand early repayment.

Management has estimated that, considering the probability of possible scenarios, the operating cash flows for the 12 months to the end of first half of 2023 are positive. Despite the current circumstances, the Company continues to fulfil its debt obligations due to the creditors, including repayment of bonds in 2022 in the amount of UAH 74 million, including interest costs.

Due to the undetermined impact of future development of the military invasion on the basis of the significant assumptions above which the forecasts are based on, the management has made a conclusion that there is a significant uncertainty, which may cause significant doubts with respect to the Company’s ability to continue as a going concern, therefore, the Company may be unable to sell its assets and repay its obligations within normal operating activities.

However, on the basis of the steps mentioned above implemented by the Company, the management considers that the application of the going concern assumption for the preparation of these financial statements is appropriate.

All amounts in tables are presented in thousands of Ukrainian Hryvnia

3 Significant accounting policies (continued)

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

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

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

In Ukrainian Hryvnias	**31 December 2021**	**31 December 2020**
USD/UAH closing	27,28	28,27
USD/UAH average	27,29	26,96
SDR/UAH closing	38,19	40,88
SDR/UAH average	38,88	37,57

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. The Company recognizes financial assets and liabilities when it becomes a party to the contractual relationship to a particular instrument. Financial assets and liabilities are represented by cash and cash equivalents, net trade and other receivables, current financial investments, bonds issued, lease liabilities, trade and other accounts payable. Depending on their classification, financial instruments are carried at fair value or amortised cost as described below. These evaluation methods are 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. Initial recognition of financial assets and liabilities is carried at their fair value, except for receivables from contracts with clients, which are initially recognized at nominal value in accordance with IFRS 15. Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs.

3 Significant accounting policies (continued)

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").

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.

The Company applies a simplified approach to measuring credit loss allowance for ECL. The Company does not track changes of credit risk, instead the provision is calculated for the entire term of the debt and is revalued at each reporting date. The Company uses a provision matrix based on historical credit losses adjusted for the effect of future changes in the economic environment that will affect debtors.

The Company considers that a default (event of default) occurs when a financial asset is more than 90 days past due, unless the Company has other reasonable information that the criterion of longer default is more acceptable.

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.

All amounts in tables are presented in thousands of Ukrainian Hryvnia

3 Significant accounting policies (continued)

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 2021 and 31 December 2020, 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. The fair value of other financial investments is estimated using quoted prices in active markets (Level 1 of the fair value hierarchy).

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.

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

Property, plant and equipment with acquisition costs less than UAH 20 thousand are recognised by the Company as low value non-current assets with 100% depreciation accrual during the first month of usage.

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.

Intangible assets. Acquired intangible assets with finite useful lives are stated at cost less accumulated amortization and accumulated impairment losses.

The Company recognizes intangible assets that will be used for more than a year and whose cost is greater than or equal to UAH 1,000 at the date of posting. The value criterion for their recognition as intangible assets is not applied to internally generated assets and registration of land use rights.

3 Significant accounting policies (continued)

The Company accounts for intangible assets at cost. Subsequent intangible assets expenditures after their acquisition or creation is recognized as an expense in the period in which they are incurred, unless it is probable that the cost will allow the asset to generate future economic benefits greater than expected and the cost can be reliably measured.

An intangible asset with a fixed useful life is subject to depreciation for the period specified in the contract, patent or license. The depreciation period of an intangible asset with a fixed useful life is reviewed at the end of each financial year. The average life of intangible assets is 4 years. Assets with indefinite useful lives are not depreciated, but are assessed annually for impairment and possible transition to depreciable assets.

Depreciation is calculated on a straight-line basis over the estimated useful life from the date the asset is ready for use. Depreciation expense is recognized in the statement of comprehensive income.

Investment property. Investment property is property held by the Company to earn rental income or for capital appreciation, or both. Key judgements for classification of non-current assets as investment property are disclosed in Note 4.

The investment property of the Company is formed at the expense of the existing real estate objects due to the change of their purpose and their transfer from the category of real estate occupied by the Company to the category of investment real estate. If a property consists of two parts: one for rental income and another for the provision of postal and related services, these parts are accounted for separately if they can be sold or leased separately on a finance lease basis. Otherwise, the property is regarded as investment property only if a small portion of that property is held for the Company's operations.

In 2020, the Company amended the Accounting Policy for the accounting of investment property at cost. In fact, since the first application of International Financial Reporting Standards, the Company has accounted for investment property at cost. Thus, adhering to the principle of consistency of assessments and judgements, the Company's Management has decided to amend the Accounting Policy so that it would reflect the actual state of business and meet the international financial reporting standards.

In addition, from 1 January of 2020 the Company changed its accounting estimates and judgements regarding the recognition of investment property which resulted in corrective adjustments in 2020.

The cost of investment property is the actual cost of cash and cash equivalents, or the fair value of another form of compensation at the time of its acquisition.

Subsequent to initial recognition, the Company accounts for investment property at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation of investment property is calculated on a straight-line basis over their useful lives.

The useful life of investment property is set as for objects of property, plant and equipment group “Buildings and structures”.

Earned rental income is recorded in profit or loss for the year within other operating income. Gains or losses on disposal of investment property are calculated as proceeds less the carrying amount.

Subsequent expenditure is capitalised to the asset’s carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

Right-of-use assets. The Company leases offices and vehicles. Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets arising from a lease are initially measured on a present value basis.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- costs to restore the asset to the conditions required by lease agreements.

3 Significant accounting policies (continued)

Right-of-use assets are depreciated over the shorter of the asset's useful life or the lease term, whichever comes first. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets’ useful lives. Depreciation on the right-of-use assets is calculated using the straight-line method over their estimated useful lives.

Non-current assets held for sale and disposal groups. The Company classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

An asset classified as held for sale or included in disposal group is not depreciated. The sale of an asset (or disposal group) must be made within a year. Events or circumstances may extend the period of completion of the sale of assets held for sale beyond one year.

An extension of the disposal period does not preclude the classification of an asset (or disposal group) held for sale if the delay was caused by events or circumstances beyond the Company's control and if there is sufficient evidence that the Company does not plan to continue to use the asset.

Non-current assets held for sale are valued by the Company at the lower of its carrying amount and fair value less costs to sell.

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 costs, direct labour costs and an appropriate proportion of variable and fixed overhead expenditure.

In 2021, the Company changed the inventories cost formula in connection with the implementation of new accounting system (ERP). Prior to the transition, the Company applied the identification method to measure the cost of inventories upon disposal. The specific identification cost means that specific costs are related to identified inventory items, and for homogeneous inventories, those purchased earlier than others are written down first. For retail products, the retail price method was applied. After the transition to ERP system, all the inventories, including retail products, are assessed upon disposal under the FIFO method, i.e. for homogeneous inventories, those purchased earlier than others are written down first. It is expected that the use of a single write-off method for all types of inventories will provide more reliable and relevant information to users.

Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3 Significant accounting policies (continued)

Trade and other receivables. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. 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 of other operating income in the profit or loss.

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

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).

3 Significant accounting policies (continued)

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. In other cases, VAT is shown expanded.

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.

Under Ukrainian legislation, the amount of dividends is limited to net profit of the reporting period or other distributable reserves but not more than retained earnings as per the stand alone financial statements prepared in accordance with IFRS. The Company has to make a decision in respect of dividend distribution by 30 April and to pay the dividend to the State budget by 30 June of the year in the following reporting year. The Cabinet of Ministers of Ukraine approves a percentage of net profit to be distributed each year with a separate resolution. If there is no such resolution available by 30 June, the Company is obliged to distribute 30% of its net profit to the State budget of Ukraine, as set by provisions of the Law of Ukraine “On Management of State Property Objects” No. 185-V dated 21 September 2006.

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

Borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently carried at amortised cost using the effective interest method. Any difference between the proceeds, net of transaction costs, and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

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

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

Revenue. Revenue 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:

1) Parcels and letters (including international);
2) Delivery of pensions and other social benefits;
3) Payments and money transfers;
4) Subscription and delivery of periodicals;
5) Sale of merchandise and other services.

3 Significant accounting policies (continued)

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.

Lease liabilities. Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Company under residual value guarantees,
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease extension and termination options provided for in a number of Company's lease agreements. These terms are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. Extension options (or period after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Company, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, collateral and conditions.

3 Significant accounting policies (continued)

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases of equipment and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture with value of UAH 50 thousand or less.

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.

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.

In particular, receivables and payables of foreign postal operators are offset in the Statement of Financial Position with respect to the operations where final settlements are made on the net basis.

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

4 Critical accounting estimates and judgements in applying policies

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

Deferred revenue. The Company recognises advance customer payments on its balance sheet, predominantly relating to the sale of stamps not used as of the balance sheet date, delivery of parcels and small packages not delivered to the destination point as of the balance sheet date and subscription of periodicals 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 as the vast majority of stamps and sorting and sending services credits is used within one year after the balance sheet date.

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

A portion of the deferred revenue balance is made up of revenue from delivery of parcels and small packages not delivered to the destination point as of the balance sheet date. The valuation of the deferred revenue is based on the analytical estimation in reliance on the actual data available to the Company for the type, number, weight, destination point, mailing date and applied tariff as well as the actual and expected time of delivery.

Lease extension and termination options. Extension and termination options are included in a number of leases of buildings across the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The Company has the priority right to extension option.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or period after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Leases of buildings by the Company are divided into leases of private properties and leases of state-owned/municipal properties, which differ by judgements used to determine the lease term. Taking into account the exercisable extension option or high probability of signing new contracts for the lease of the same private properties, the Company applies to the leases of private properties the period of 10 years on the date of IFRS 16 adoption.

Leased state-owned and municipal properties are subject to the Law of Ukraine on leases of state-owned and municipal property effective since October 2019. According to the Law, initial leases and extensions are subject to a statutory auction. Given this fact and uncertainty in the extension option, the Company defines the lease term as the contractual non-cancellable lease term. Leases of vehicles are made for fixed periods of 1.5 to 3 years and may be extended subject to agreement between the parties.

Classification of double-purpose items between property, plant and equipment, investment property and non-current assets held for sale and disposal groups. 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 (a portion held for own use and a portion held to earn rentals or for capital appreciation), 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.

The Company has assessed the quantitative and value indicators of real estate properties, as well as income from the lease of premises and applies the following judgements to the classification and transfer of real estate to investment property:

- Objects leased at 70% or more (in terms of usable area) are considered to be fully investment property (subject to the main criteria specified in the previous paragraph);
- Objects leased at less than 70% of the total usable area, but the total rental cash proceeds from which in total for the object are more than UAH 50 thousand per month, are classified as investment property (subject to the main criteria specified in the previous paragraph) in the part of the total usable area for rent, and as property, plant and equipment in the part of the total usable area used for own needs;
- Objects leased at less than 70% of the total usable area and total rental cash proceeds for which are less than UAH 50 thousand per month, the Company considers insignificant and remains as the property, plant and equipment.

Management of the Company transfers real estate properties from property, plant and equipment to investment property applying the cost model as its accounting policy (refer to Note 3). Management estimated the expected range of the fair value of investments property as at 31 December 2021 without involving independent appraisers and disclosed it in Note 9.

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

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. As at 31 December 2020, there were no legal restrictions on the sale or lease out, under the finance lease contract, real estate properties of the Company. Following these changes, the Company's management reviewed the fulfilment of the necessary criteria for the transfer of a portion of the property held to earn rentals or for capital appreciation from property, plant and equipment to investment property.

International postal exchange revenue and expenses estimates. In course of providing the international postal services the Company conducts transactions with postal service operators in other countries. The amount of international postal exchange revenue, expenses and related receivables and payables are recognised during the year based on estimates made by management on the basis of data on the total weight of cross-border shipments of correspondence, parcels and small packages, which is further agreed by postal operators, and tariffs approved by the Universal Postal Convention (UPC) and its circulars.

If the shipments turnover between countries exceeds the predefined volume (50 tons in 2021 and 75 tons in 2020), separate tariffs are applied for different shipment formats, as well as an additional tariff for the number of shipments. The number of items, which is calculated based on the number of items per kilogram of correspondence, parcels and small packages, is also subject to agreement with postal operators of other countries.

Due to significant time delays in reconciling data on shipments weight, total cross country turnover, number of shipments per one kilogram of correspondence, parcels and small packages and the applicable UPC tariffs (up to 6 months to reconcile the amount of shipments and up to a year to reconcile settlements in monetary terms), such estimates are subject to management judgement and could be subject to adjustment. Management has disclosed the amount of revenue and expenses with the main postal operators of other countries for which the reconciliation process was completed or partially completed at the date of issue of these financial statements in Notes 20 and 21.

5 Adoption of new or revised standards and interpretations

The following amended standards and amendments to IFRS standards and interpretations issued by the IASB became effective on 1 January 2021 or later, but the application thereof had no material impact on the disclosure of information or the amounts reflected in these financial statements. The Company did not apply any other standards, interpretations or amendments released but not effective.

Interest rate benchmark reform - phase 2 – Amendments to IAS 39, IFRS 7 and IFRS 9 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2021). The amendments were triggered by a gradual replacement of benchmark interest rates such as IBORs. The amendments change hedge accounting requirements to avoid potential negative implications of the IBOR reform. In addition, requirements are added for entities to provide disclosures to explain how the uncertainties related to the IBOR reform affect their hedging relationships. These amendments are not expected to have an impact on the Company's financial statements.

Amendments to IFRS 16 "Lease" – Accounting of lease concessions related to the COVID-19 pandemic

In May 2020 the IAS Council released an amendment to IFRS 16 "Lease" - "Lease concessions related to the COVID-19 pandemic". The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification.

The term for application of this practical expedient is until 30 June 2022. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The Company did not apply the practical expedient provided for by the amendment.

All amounts in tables are presented in thousands of Ukrainian Hryvnia

5 Adoption of new revised standards and interpretation (continued)

The following are standards and interpretations that have been issued but have not yet become effective as of the date of the Company's financial statements. At the date of approval of these Financial Statements, the Company has not applied any of these new or revised standards that have been issued but have not yet become effective.

Standards and interpretations	Effective Date
IFRS 17 “Insurance contracts”	1 January 2023
Amendments to IFRS 17 – “Extension of the Temporary Exemption from Applying IFRS 9” (Amendments to IFRS 4)	1 January 2023
Amendments to IAS 1 – “Classification of obligations as short-term or long-term”	1 January 2023 (deferred from 1 January 2022)
Amendments to IFRS 3 “Reference to conceptual frameworks”	1 January 2022
Amendments to IAS 16 “Property, plant and equipment: Proceeds before Intended Use”	1 January 2022
Amendments to IAS 37 “Onerous Contracts — Cost of Fulfilling a Contract”	1 January 2022
Annual IFRS improvements, period 2018-2020	1 January 2022 (except for the amendment to IFRS 16 concerning only an illustrative example, thus the effective date is not indicated)
Amendments to IFRS 1 – “Subsidiary as a first-time adopter of International Financial Reporting Standards”	
Amendments to IFRS 9 – “Fees in the ’10 per cent’ test for derecognition of financial liabilities”	
Amendments to IFRS 16 – Illustrative examples	
Amendments to IAS 41 – Taxation in Fair Value Measurements	
Amendments to IAS 1 and Practice provisions IFRS 2 – “Disclosure of accounting policies”	1 January 2023
Amendments to IAS 8 – “Definition of accounting estimates”	1 January 2023
Amendments to IAS 12 – “Deferred tax related to assets and obligations arising from a Single Transaction”	1 January 2023

The management does not expect the adoption of the Standards mentioned above to have a significant impact on the Company’s financial statements in future periods.

6 Changes in accounting policies, correction of errors and reclassification

During preparation of these financial statements for the year ended 31 December 2021, the Company corrected certain errors related to the previous periods. Certain amounts in the Statement of Financial Position, Statement of Comprehensive Income, Statement of Cash Flows and Statement of Equity were restated in order to correct the following errors:

(i) Recognition of obligations under the bonds issued by the Company

In 2020, the Company concluded some repurchase contracts for secondary sale of own bonds with one of the Ukrainian banks. In accordance with the terms of contracts, the value of bonds during secondary sale and the value of further repurchase were different from the nominal value and were consistent with the market conditions at the date of sale.

As the coupon interest rate under the bonds exceeded significantly the market value of the capital at the moment of conclusion of the said repurchase contracts, the bonds were sold with a premium. In the Company’s financial statements for 2020 a discount was inaccurately recognized under the abovementioned bonds, which constituted a deviation from the IFRS requirements.

All amounts in tables are presented in thousands of Ukrainian Hryvnia

6 Changes in accounting policies, correction of errors and reclassification (continued)

In the financial statements for the year ended 31 December 2020, the management corrected the error and adjusted the comparative information as follows:

(in UAH thousands)	**Line code**	**Substance of the adjustment**	**31 December 2020**
Financial statements item			
Short-term bank borrowings (decrease)	1600	Recalculation of the premium amount and reversal of the recognized discount	13 637
Retained earnings (increase)	1420	Total impact of the correction at the date	13 637

The correction of the error caused a decrease of financial expenses by UAH 13,637 thousand, which reflects the change of the recognized discount and amortization of the discount, as well as recognition of the premium amount and additional accrual of appropriate financial income for the year ended on 31 December 2020.

(ii) Recalculation of the financial lease obligation

Financial lease agreements for the acquisition of vehicles concluded by SC "Ukrposhta" with certain Ukrainian banks and lease companies provided a condition for change of value of the object of leasing depending on change of the official UAH to EUR exchange rate established by the National Bank of Ukraine (NBU). In 2020 the Company did not recalculate the financial lease obligation in connection with the change of the official EUR exchange rate, which caused an understatement of the liabilities.

Furthermore, during recognition of the financial lease obligations the Company did not include the amount of commission fee in the value of the financial instrument, which had an impact on the amount of the financial liabilities assessed at amortized cost, which constituted a deviation from the IFRS requirements.

In the financial statements for the year ended on 31 December 2020, the management corrected the said error and adjusted the comparative information as follows:

(in UAH thousands)	**Line code**	**Substance of the adjustment**	**31 December 2020**
Financial statements item			
Other long-term liabilities (increase)	1515	Additional accrual of financial expenses under the obligations assessed at amortized cost	3 352
Other long-term liabilities (increase)	1515	Exchange rate differences under financial lease obligations	13 958
Retained earnings (decrease)	1420	Total impact of the correction at the date	17 310

The correction of error also caused an increase of other operating expenses by UAH 11,663 thousand and decrease of other operating income by UAH 2,295 thousand due to the recalculation of the exchange rate difference under financial lease obligations, as well as an increase of financial expenses by UAH 3,352 thousand due to additional accrual of interest at the effective interest rate.

(iii) Other corrections or errors

The Company recalculated the income tax as a result of adjustment of bond and financial lease operations indicated in notes (i) and (ii), as well as made a clarification to the income tax return for 2020.

All amounts in tables are presented in thousands of Ukrainian Hryvnia

6 Changes in accounting policies, correction of errors and reclassification (continued)

The total impact of adjustments on the Company's Statement of Financial Position for the year ended on December 31 is presented as follows:

(in UAH thousands)	**Line code**	**Note**	**31 December 2020 (as previously reported)**	**Adjustment**	**31 December 2020 (restated)**
Financial statements item					
Accounts receivable on settlements with the budget	1135	(iii)	17 207	(10)	17 197
Total current assets	**1195**	**(iii)**	**6 180 138**	**(10)**	**6 180 128**
Retained earnings	1420	(i), (ii), (iii)	1 321 490	(3 683)	1 317 807
Total equity	**1495**	**(i), (ii)**	**2 586 049**	**(3 683)**	**2 582 366**
Other long-term liabilities	1515	(i), (ii)	343 910	17 310	361 220
Total long-term liabilities	**1595**	**(i), (ii)**	**611 434**	**17 310**	**628 744**
Short-term bank borrowings	1600	(i)	264 395	(13 637)	250 758
Total current liabilities	**1695**	**(i)**	**6 711 990**	**(13 637)**	**6 698 353**

The total impact of retrospective adjustments on the Statement of Comprehensive Income for the year ended on 31 December 2020 was as follows:

(in UAH thousands)	**Line code**	**Note**	**31 December 2020 (as previously reported)**	**Adjustment**	**31 December 2020 (restated)**
Financial statements item					
Other operating income	2120	(ii)	261 678	(2 295)	259 383
Other operating expenses	2180	(ii)	(135 574)	(11 663)	(147 237)
Financial results from the operating activities (profit)	**2190**	**(ii)**	**185 610**	**(13 958)**	**171 652**
Financial expenses	2250	(i), (ii)	(96 313)	10 285	(86 028)
Financial results before taxation (profit)	**2290**	**(i), (ii)**	**207 296**	**(3 673)**	**203 623**
Income tax (expense)/credit	2300	(iii)	(42 373)	(10)	(42 383)
Net financial result	**2350**	**(i), (ii), (iii)**	**164 923**	**(3 683)**	**161 240**

The total impact of the adjustments on Statement of Cash Flows (under the indirect method) for the year ended 31 December 2020 is as follows:

(in UAH thousands)	**Line code**	**Note**	**31 December 2020 (as previously reported)**	**Adjustment**	**31 December 2020 (restated)**
Financial statements item					
Profit / (loss) before tax	3500	(i), (ii)	207 296	(3 673)	203 623
Unrealised foreign exchange loss (gain)	3515	(ii)	(2 295)	13 958	11 663
Financial expenses	3540	(i), (ii)	96 313	(10 285)	86 028
Cash flows from operating activities	**3570**	**(i), (ii)**	**1 981 549**	**-**	**1 981 549**

The changes had no impact on the other comprehensive income of the Company for the period. The disclosed amounts related to the comparative information were changed appropriately.

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 public 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 2021 and 31 December 2020, a significant portion of the Company’s bank balances are held with three state owned banks in Ukraine (Note 12).

Until November 2020, key management was 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. From November 2020, due to the dismissal of one of the deputies, the key management is considered to be the General Director and the Deputy Director of Finance. In 2021, the total compensation to key management personnel amounted to UAH 23,629 thousand (2020: UAH 25,538 thousand). The compensation to key management personnel consisted of short-term salaries and bonus payments. In 2021, the total compensation to Supervisory Board members amounted to UAH 12,284 thousand (2020: UAH 10,062 thousand). The compensation to Supervisory Board members consisted of short-term salaries and direct expenses compensations.

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 commercial 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 2021 and 2020, 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 25 regional directorates in each region and Kyiv, each of which signed agreements for the provision of services related to the payment and delivery of pensions to the population with the Company units. The revenue received as remuneration for the delivery of pensions and other social benefits in 2021 totalled UAH 2,937,917 thousand (2020: UAH 2,627,218 thousand).

All amounts in tables are presented in thousands of Ukrainian Hryvnia

9 Property, plant and equipment, capital investments in progress and investment property

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

	Buildings and structures	Plant and equipment	Vehicles	Office furniture and equipment	Total property, plant and equipment	Capital investments in progress
At 1 January 2020						
Historical cost	3 379 389	696 949	557 442	432 598	5 066 378	38 416
Accumulated depreciation and impairment	(630 105)	(511 510)	(228 607)	(390 385)	(1 760 607)	-
Carrying amount at 1 January 2020	**2 749 284**	**185 439**	**328 835**	**42 213**	**3 305 771**	**38 416**
Additions	126 955	-	-	-	126 955	481 700
Transfers	5 352	12 896	339 208	94 469	451 925	(451 925)
Remeasurement of the right-of-use assets	(7 208)	-	-	-	(7 208)	-
Disposals at cost	(87 877)	(32 719)	(3 730)	(13 612)	(137 938)	
Disposal of accumulated depreciation	37 841	32 289	3 730	13 612	87 472	-
Transfers to investment property	(178 224)	-	-	-	(178 224)	-
Depreciation charge and impairment	43 227	-	-	-	43 227	-
At 31 December 2020						
Historical cost	3 317 866	677 126	892 920	513 455	5 401 367	65 889
Accumulated depreciation and impairment	(691 327)	(538 460)	(284 240)	(476 759)	(1 990 786)	-
Carrying amount at 31 December 2020/ January 1 2021	**2 626 539**	**138 666**	**608 680**	**36 696**	**3 410 581**	**65 889**
Receipt	151 328	-	-	-	151 328	1 043 118
Transfers (at initial value)	12 793	27 735	649 891	96 614	787 033	(787 033)
Transfers (at accumulated depreciation)	(2 351)	(13 649)	(3 843)	19 843	-	-
Remeasurement of the right-of-use assets	13 574	-	-	-	13 574	-
Recognised according to the results of the stock-taking	455	127	679	483	1 744	-
Disposal (at initial value)	(68 968)	(21 653)	(7 057)	(18 987)	(116 665)	-
Disposal (at accumulated depreciation)	37 300	21 343	7 054	18 645	84 342	-
Transfers to non-current assets held for sale (at initial value)	(77 477)	-	-	-	(77 477)	-
Transfers to non-current assets held for sale (at accumulated depreciation)	22 471	-	-	-	22 471	-
Depreciation charge and impairment	(160 127)	(55 910)	(102 231)	(127 706)	(445 974)	(1 110)
At 31 December 2021						
Historical cost	3 349 571	683 335	1 536 433	591 565	6 160 904	320 864
Accumulated depreciation and impairment	(794 034)	(586 676)	(383 260)	(565 977)	(2 329 947)	-
Carrying amount at 31 December 2021	**2 555 537**	**96 659**	**1 153 173**	**25 588**	**3 830 957**	**320 864**

All amounts in tables are presented in thousands of Ukrainian Hryvnia

9 Property, plant and equipment, capital investments in progress and investment property (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.

As at 31 December 2021, the Company had contractual commitments for the acquisition of property, plant and equipment amounting to UAH 682,277 thousand (at 31 December 2020 - UAH 36,524 thousand).

As at 31 December 2021, the Company had UAH 593,963 thousand of property, plant and equipment items which were fully depreciated but still in use (at 31 December 2020 - UAH 510,378 thousand).

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 2018, 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:

(in thousand hryvnias)	**2021**	**2020**
Net cost of sold products (goods, works, services)	431 134	321 234
Administrative expenses	17 171	26 107
Selling expenses	963	1 161
Other operating expenses	4 824	6 381
Other expenses (Note 29)	11 690	9 388
Total depreciation charge and impairment	**465 782**	**364 271**

During 2021, the Company acquired property, plant and equipment (vehicles) under finance leases totalling UAH 90,090 thousand (2020: UAH 307,753 thousand). As at 31 December 2021, the net carrying value of these items of property, plant and equipment held under finance lease arrangements totalled UAH 354,533 thousand (31 December 2020: UAH 420,713 thousand).

Right-of-use assets

The Company leases equipment and buildings in the normal course of business.

Leases of vehicles are made for fixed periods up to 3 years and may be extended subject to agreement between the parties.

All amounts in tables are presented in thousands of Ukrainian Hryvnia

9 Property, plant and equipment, capital investments in progress and investment property (continued)

The carrying amount and movements in the right-of-use assets for 2021 are disclosed below:

(in thousand hryvnias)	**Buildings and structures**	**Vehicles**	**Total**
1 January 2021	**231 651**	**420 713**	**652 364**
Additions	151 328	90 090	241 418
Adjustments to right-of-use assets on remeasurement of lease liabilities	13 574	-	13 574
Depreciation charge	(95 686)	(35 589)	(131 275)
Disposals	(29 543)	-	(29 543)
Transfer	-	(120 681)	(120 681)
31 December 2021	**271 324**	**354 533**	**625 857**

The carrying amount and flow of the right-of-use assets for 2020 are as follows:

(in thousand hryvnias)	**Buildings and structures**	**Vehicles**	**Total**
1 January 2020	**214 602**	**142 019**	**356 621**
Additions	126 955	307 753	434 708
Adjustments to right-of-use assets on remeasurement of lease liabilities	(7 208)	-	(7 208)
Depreciation charge	(61 889)	(27 164)	(87 620)
Disposals	(40 809)		(44 137)
Transfer		(1 895)	
31 December 2020	**231 651**	**420 713**	**652 364**

Lease liabilities related to the right-of-use assets presented above are disclosed in Note 15.

Investment property

(in thousand hryvnias)	**2021**	**2020**
Investment property at fair value at 1 January	**117 377**	**187 724**
Transferred to property, plant and equipment (at historical cost)	-	(66 895)
Transferred to property, plant and equipment (at accumulated depreciation)	-	1 710
Transfers to investment property	19	
Transferred to non-current assets held for sale (at historical cost)	(13 850)	-
Transferred to non-current assets held for sale (at accumulated depreciation)	602	-
Depreciation charge and impairment	(3 455)	(5 162)
At 31 December		
Historical cost	107 386	120 829
Accumulated depreciation and impairment	(6 693)	(3 452)
Carrying amount	**100 693**	**117 377**

As specified in Note 4, in 2020 the Company amended the accounting policy for accounting for investment property at cost.

Management estimated the expected range of the fair value of investments property as at 31 December 2021 to be between UAH 370,000 thousand and UAH 450,000 thousand (as at 31 December 2020 between UAH 350,000 thousand and UAH 435,000 thousand) without involving independent appraisers.

All amounts in tables are presented in thousands of Ukrainian Hryvnia

9 Property, plant and equipment, capital investments in progress and investment property (continued)

Where the Company is a lessor, the future minimum lease payments under operating leases of all properties as at 31 December 2021 are as follows:

(in thousand hryvnias)	**Future lease proceeds**
Demand and less than 1 month	7 692
From 1 to 3 months	13 354
From 3 to 12 months	49 808
From 12 months to 5 years	70 717
Total undiscounted future lease proceeds from operating leases	**141 571**

The future minimum lease payments under operating leases as at 31 December 2020 are as follows:

(in thousand hryvnias)	**Future lease proceeds**
Demand and less than 1 month	6 248
From 1 to 3 months	12 204
From 3 to 12 months	50 540
From 12 months to 5 years	59 218
Total undiscounted future lease proceeds from operating leases	**128 210**

In 2021 rental income from investment properties totalled UAH 102,093 thousand (2020: UAH 94,353 thousand) and was recognised in other operating income.

Non-current assets held for sale

As noted in Note 4, as of 20 October 2019 due to changes in the Legislation of Ukraine, the Company has acquired the right to dispose of property through open auction systems sale. Based on the Decision of the shareholder represented by the Ministry of Infrastructure of Ukraine, the Company transfers real estate from fixed assets to non-current assets held for sale.

The movement of non-current assets held for sale is presented as follows:

(in thousand hryvnias)	**2021**	**2020**
Non-current assets held for sale at 1 January 2021	**98 659**	**-**
Transfers from property, plant and equipment	55 006	**134 997**
Transfers from investment property	13 248	
Sold	(80 155)	**(30 445)**
Impairment	(11 115)	**(5 893)**
Non-current assets held for sale at 31 December 2021	**75 643**	**98 659**

Net gain on disposal of non-current assets held for sale for 2021 totalled to UAH 86,277 thousand (2020: UAH 63,743 thousand) and was recognised in other income.

Pledged assets

The Company signed loan agreements with international financial institutions (Note 15), under which the Ministry of Finance of Ukraine is a guarantor with respect to the debt repayment. As a collateral, buildings and structures with a carrying amount of UAH 693,679 thousand as of 31 December 2021 were pledged (as of 31 December 2020 no assets were pledged).

All amounts in tables are presented in thousands of Ukrainian Hryvnia

10 Inventories

(in thousand hryvnias)	**31 December 2021**	**31 December 2020**
Raw materials	231 750	161 138
Goods for resale	62 138	48 728
Finished goods and work in progress	11	15 688
Total inventories	**293 899**	**225 554**

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

(in thousand hryvnias)	**31 December 2021**	**31 December 2020**
Accounts receivable for goods, works and services	459 406	371 650
including receivables from postal operators of other countries	*250 544*	*224 997*
Other current accounts receivable	179 138	118 956
including receivables from postal operators of other countries	*5 874*	*26 274*
Total financial accounts receivable (gross carrying amount)	**638 544**	**490 606**
Advances issued	35 830	24 818
Other receivables (lines 1135 and 1140)	17 628	25 982
Allowance for impairment	(81 564)	(57 734)
Total accounts receivable, advances issued and other receivables	**610 438**	**483 672**

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

	2021	**2020**
- UAH	287 851	175 245
- USD	184 350	121 952
- SDR	76 572	130 933
- EUR	8 207	4 742
Total financial accounts receivable	**556 980**	**432 872**

As at 31 December 2021 and 31 December 2020, 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 2021 or 31 December 2020 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.

All amounts in tables are presented in thousands of Ukrainian Hryvnia

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.

ECL matrix at 31 December 2021:

In % of gross value	**Loss rate**	**Gross carrying amount**	**Lifetime ECL**
- not past due			
• Postal operators of other countries	*0,00%*	252 487	-
• Governmental institutions and state owned enterprises	*0,92%*	43 518	399
• Utility entities	*1,31%*	14 056	184
• Other entities	*1,43%*	217 516	3 101
		527 577	**3 684**
less than 30 days overdue	*30,67%*	11 127	3 413
31 to 60 days overdue	*47,53%*	31 348	14 899
61 to 90 days overdue	*68,55%*	17 874	12 253
more than 90 days overdue	*93,48%*	50 618	47 315
Total financial accounts receivable as at 31 December 2021 (gross carrying amount)		**638 544**	**81 564**
Credit loss allowance for financial accounts receivable		(81 564)	-
Total financial accounts receivable as at 31 December 2021		**556 980**	-

ECL matrix at 31 December 2020:

In % of gross value	**Loss rate**	**Gross carrying amount**	**Lifetime ECL**
- not past due			
• Postal operators of other countries	*0,00%*	251 436	-
• Governmental institutions and state owned enterprises	*7,40%*	45 952	3 399
• Utility entities	*1,65%*	21 476	355
• Other entities	*7,02%*	118 230	8 296
		437 094	**12 050**
less than 30 days overdue	*28,80%*	7 977	2 297
31 to 60 days overdue	*50,10%*	1 856	930
61 to 90 days overdue	*74,82%*	2 317	1 734
more than 90 days overdue	*98,45%*	41 362	40 723
Total financial accounts receivable as at 31 December 2020 (gross carrying amount)		**490 606**	**57 734**
Credit loss allowance for financial accounts receivable		(57 734)	-
Total financial accounts receivable as at 31 December 2020		**432 872**	-

All amounts in tables are presented in thousands of Ukrainian Hryvnia

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

Movements in the impairment provision for the financial and other accounts receivables are as follows:

	2021	2020
Allowance for expected credit loss at 1 January	**57 734**	**50 012**
Allowance accrued during the year	23 831	7 722
Allowance for expected credit loss at 31 December	**81 565**	**57 734**

12 Cash, cash equivalents and current financial investments

Cash, cash equivalents and current financial investments comprise amounts held physically in cash, bank balances available on demand, cash in transit and short-term deposits.

(in thousand hryvnias)	**31 December 2021**	**31 December 2020**
Bank balances payable on demand	3 774 066	3 404 042
including:		
General purpose bank accounts	*1 697 979*	*1 101 837*
Designated purpose bank accounts	*2 076 087*	*2 302 205*
Short-term deposits for up to 3 months	-	1 348 239
Cash on hand	119 329	493 831
Total cash and cash equivalents (line 1165)	**3 893 395**	**5 246 112**
Short-term deposits longer than 3 months (line 1160)	*1 509 233*	*195 095*
Total cash, cash equivalents and current financial investments	**5 402 628**	**5 441 207**

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.

Short-term deposits with a maturity of more than 3 months are reflected in the Statement of Financial Position under "Current financial investments" item.

Short-term deposits in 2021 were placed with Ukrainian banks with a maturity of 98 to 188 days with an average interest rate on hryvnia investments of 8.97% per annum and foreign currency investments of up to 2% per annum. Interest received on deposits is recognized in the statement of comprehensive income in the financial income (Note 25).

As at 31 December cash, cash equivalents and current financial investments are denominated in the following currencies:

(in thousand hryvnias)	**2021**	**2020**
- UAH	4 545 262	4 336 842
- USD	761 244	1 095 881
- EUR	96 122	8 484
Total cash, cash equivalents and current financial investments	**5 402 628**	**5 441 207**

In 2021 general purpose bank balances payable on demand and short-term deposits earned interest at fixed rates varying from 4,0% to 9,1% per annum in UAH and from 0,1% to 3,0% in foreign currency (2020: from 4,5% to 19,5% per annum in UAH and from 2,5% to 4% in foreign currency).

All amounts in tables are presented in thousands of Ukrainian Hryvnia

12 Cash, cash equivalents and current financial investments (continued)

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

(in thousand hryvnias)	**31 December 2021**	**31 December 2020**
	Bank balances payable on demand and deposits	
Neither past due nor impaired		
- *A2*	3 992	2 298
- *Aa3*	17 705	11 710
- *B2*	6 645	3 820
- *B3*	4 749 926	4 025 736
- *Unrated*	505 031	903 812
Total	**5 283 299**	**4 947 376**

At 31 December 2021, the bank balances payable on demand in the amount of UAH 4,749,466 thousand (31 December 2020: UAH 4,357,484 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. In response to that, the government of Ukraine launched the anti-terrorist operation. As indicated in Note 3, on February 24, 2022 the russian federation began a full-scale military invasion of Ukraine, which became the new round of the armed conflict.

The Company owns assets and initially recognised 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 2021 and 2020.

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.

The consequences of the 2022 russian invasion for the Company’s financial position and performance are disclosed in Note 3 and Note 34.

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.

All amounts in tables are presented in thousands of Ukrainian Hryvnia

14 Share capital (continued)

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 2021 and 2020, 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.

	Number of ordinary shares	**Registered capital**	**Effect of corporatisation**	**Total**
At 31 December 2021 / At 31 December 2020	6,518,597	6,518,597	(5,254,038)	**1,264,559**

As at 31 December 2021 and 31 December 2020, the net assets totalling UAH 2,677,889 thousand and UAH 2,582,366 thousand (after restatement presented in Note 6) 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.

Distribution of dividends

Profit available for distribution to the shareholders for each reporting period is determined by reference to the stand alone financial statements of the Company prepared in accordance with IFRS. Under Ukrainian legislation, the amount of dividends is limited to net profit of the reporting period or other distributable reserves but not more than retained earnings as per the stand alone financial statements prepared in accordance with IFRS. The Company has to make a decision in respect of dividend distribution by 30 April and to pay the dividend to the State budget by 30 June of the year in the following reporting year. The Cabinet of Ministers of Ukraine approves a percentage of net profit to be distributed each year with a separate resolution. If there is no such resolution available by 30 June, the Company is obliged to distribute 30% of its net profit to the State budget of Ukraine, as set by provisions of the Law of Ukraine "On Management of State Property Objects" No. 185-V dated 21 September 2006.

According to the Resolution of the Cabinet of Ministers of Ukraine No. 230 of 08 March 2022 (as amended) "On Approval of the Basic Normative of Deduction of Part of the Profit used for Payment of Dividends according to the Results of Financial and Commercial Activities in 2021 of Commercial Entities with State Corporate Rights in the Authorized Capital", 30% of the Company's net profit for 2021 in the amount of UAH 55,075 thousand was directed to the payment of dividends. In accordance with the order of the Ministry of Infrastructure of Ukraine No.220-1071175 of 29 March 2022, from the said amount in March, 2022 dividends in the amount of UAH 48,612 thousand were paid to the state budget of Ukraine as an advance payment, calculated according to the results of the preliminary non-audited financial statements for 2021.

The Company's policy is to accrue dividends payable in respect of minimum obligatory dividend distribution level of 30% of its net profit. As at 31 December 2021, the Company accrued a liability of UAH 55,075 thousand in respect of the portion of net profit attributable to the State Budget of Ukraine in current accounts payable on settlements with shareholder.

All amounts in tables are presented in thousands of Ukrainian Hryvnia

14 Share capital (continued)

In accordance with the order of the Ministry of Infrastructure of Ukraine No.256 of 14 May 2021, 50% of the Company's net profit for 2020 in the amount of UAH 82,461 thousand were used for payment of dividends, out of which UAH 49,477 thousand (30% of the financial results for 2020) were accrued and reflected in the financial statements for 2020 and UAH 32,984 thousand (20% of the financial results for 2020) were accrued and reflected in the financial statements for 2021.

15 Borrowings

Borrowings are presented by own-issue bonds and bank loans. The carrying amount of borrowings is as follows:

(in thousand hryvnias)	**31 December 2021**	**31 December 2020 (restated)**
Long-term bank loans (line 1510)	609 499	-
Long-term bonds (line 1510)	3 379	65 878
Current portion of long-term bonds (line 1600)	70 011	250 758
Current portion of bank loans (line 1600)	57 212	-
Total	**740 101**	**316 636**

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

(in thousand hryvnias)	**2021**	**2020 (restated)**
Opening balance as at 1 January	**316 636**	**41 939**
Monetary movement		
Interest paid	(72 873)	(21 388)
Borrowings repaid	(472 479)	(30 700)
New borrowings obtained	926 530	310 134
Non-monetary movement		
Discount amortization (bonuses)	(25 130)	(10 918)
Interest accrued during the period	64 941	27 569
Exchange rate expenses accrued during the period	2 476	-
Closing balance as at 31 December	**740 101**	**316 636**

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) - repaid in full in November 2020
- B series: UAH 200,000 thousand (maturity in May 2022, redemption option in November 2020)
- C series: UAH 250,000 thousand (maturity in November 2023, redemption option in November 2021).

November 2020 was the redemption option date for A and B series bonds and November 2021 was the redemption option date for C series bonds. No bonds were presented for redemption on these redemption option dates. During 2021, the coupon rate on these bonds remained at 19% p. a. for all bonds. No early redemption is available except the pre-determined dates.

In November 2020, in accordance with the terms of the registered bonds issue bulletin, the Company made full repayment of the obligation and coupon interest income on registered interest-bearing bonds of "A" series in due time. Payment of interest income and redemption amounts on bonds of series "A" was made directly through the depository system of Ukraine.

All amounts in tables are presented in thousands of Ukrainian Hryvnia

15 Borrowings (continued)

During 2018-2021, the Company redeemed and resold some 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.

As of reporting date, 33 C series bonds with the redemption term 18 November 2023 and 673 B series bonds with the redemption term 21 May 2022 are kept in circulation.

Term loan

In October 2020, the Company signed a financing agreement with the European Investment Bank for the implementation of a development of logistics network project. The total cost of the project is estimated at EUR 62 million, of which EUR 30 million is provided by the EIB. The agreement provides for funding for up to 20 years with the possibility of applying a fixed or floating rate.

In November 2020, the Company signed a loan agreement with the EBRD (European Bank for Reconstruction and Development) for EUR 63 million. The loan consists of three tranches, namely:

Tranche 1 and Tranche 3 for EUR 23 million and EUR 10 million respectively are intended for the completion of the Rural Post Office project, which involves the purchase of new equipped vehicles (up to 1,900 vehicles) for movable post offices in 17 regions. Tranches 1 and 3 are provided for up to 8 years.

Tranche 2 - EUR 30 million intended for the second half of the investment project for the development of the logistics network. The tranche is provided for up to 12 years.

A fixed or floating rate may be applied under a loan agreement with the EBRD.

Both loan agreements are secured by state guarantees. The Company, in turn, signed with the Ministry of Finance of Ukraine respective indemnity agreements to repay its obligations to the state for the fulfilment of guarantees, which provide the following collateral:

- pledge of the Company's property rights in the amount equal to the amount of financing under the EBRD loans. The relevant mortgage agreement was concluded with the Ministry of Finance of Ukraine as of 31 December 2021;
- the right to contractually write off funds in the amount of non-performed obligations in favour of the state of Ukraine and at the request of the Ministry of Finance from the bank accounts of the Borrower except for the designed purpose bank accounts.

As of 31 December 2021, financing under the EBRD loan agreement was received in the amount of EUR 22,424 thousand, the amortized value of the loan obligations is UAH 666,711 thousand.

Other liabilities

Other liabilities are presented as follows:

	31 December 2021		**31 December 2020 (restated)**	
(in thousand hryvnias)	**Short-term**	**Long-term**	**Short-term**	**Long-term**
Finance lease liabilities	115 319	124 157	107 914	172 847
Lease liabilities (Real Estate)	101 969	193 202	60 793	187 167
Other liabilities	-	1 156	-	1 206
Total lease liabilities	**217 288**	**318 515**	**168 707**	**361 220**

All amounts in tables are presented in thousands of Ukrainian Hryvnia

15 Borrowings (continued)

Movements in lease liabilities in 2021 are presented below:

(in thousand hryvnias)	**Finance lease liabilities**	**Lease liabilities (Real Estate)**
1 January 2021	**280 761**	**247 959**
Additions	108 108	151 328
Remeasurement of the liability	-	13 327
Interest expense	34 093	40 030
Repayment of financial liabilities	(170 842)	(124 140)
Disposals	-	(33 333)
Other	(12 644)	-
31 December 2021	**239 476**	**295 171**

Movements in lease liabilities in 2020 are presented below:

(in thousand hryvnias)	**Finance lease liabilities**	**Lease liabilities (Real Estate)**
1 January 2020	**70 884**	**223 364**
Additions	369 304	126 955
Remeasurement of the liability	-	(7 568)
Interest accrued (restated, Note 6)	33 322	35 132
Repayment of financial liabilities	(206 645)	(85 941)
Disposals	-	(43 983)
Other (restated, Note 6)	13 896	-
31 December 2020 (restated)	**280 761**	**247 959**

Other changes include exchange rate difference, as presented in Note 6.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. However, leased equipment is used as collateral for borrowings. The total value of such collateral as at 31 December 2021 amounts to UAH 401,570 thousand (31 December 2020: UAH 420,713 thousand).

The Company reassessed its own right of use assets and related liabilities according to changes of significant contracts terms and conditions. Second conclusion of the lease agreements with a new effective term and value was considered a new obligation. Balances of assets and liabilities under previous agreements were adjusted respectively.

During 2021, the Company signed a number of finance lease agreements in the amount of UAH 108,108 thousand (including VAT) to upgrade its car fleet used for line haul and regional transportation. Of this amount, the initial instalment totalled UAH 27,430 thousand.

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

	2021		**2020 (restated)**	
(in thousand hryvnias)	**Minimum lease payments**	**Present value of lease payments**	**Minimum lease payments**	**Present value of lease payments**
Not later than 1 year	305 593	217 355	259 804	168 707
Later than 1 year and not later than 5 years	387 980	283 411	438 183	305 918
Later than 5 years	69 455	33 881	119 485	54 096
Total minimum lease payments	**763 028**	**534 647**	**817 472**	**528 721**
Less future finance costs	(228 381)	-	(288 751)	-
Present value of minimum lease payments	**534 647**	**534 647**	**528 721**	**528 721**

All amounts in tables are presented in thousands of Ukrainian Hryvnia

16 Trade accounts payable

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

As at 31 December 2021, 82% of trade payables is denominated in SDR, 15% in UAH, 2% in USD and 0,1% in EUR (31 December 2020: 84% of trade payables is denominated in SDR, 12% in UAH, 3% in USD and 1% in EUR).

As at 31 December 2021, UAH 1,345,296 thousand of trade payables represent obligations due to other postal operators (31 December 2020: UAH 963,961 thousand).

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

(in thousand hryvnias)	**Accrued unused vacation**	**Accrued bonuses**	**Other accruals and provisions**	**Total**
1 January 2021	**418 030**	**61 871**	**22 106**	**502 007**
Additions	627 440	268 968	-	896 408
Payments	-	-	(13 017)	(13 017)
	(518 439)	(252 650)	-	(771 089)
31 December 2021	**527 031**	**78 189**	**9 089**	**614 309**

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.

The decrease of the accrued provisions under lawsuits is caused by the decision in favour of the Company and dismissal of several lawsuits.

18 Deferred revenue

Deferred revenue comprises the following items:

(in thousand hryvnias)	**31 December 2021**	**31 December 2020**
Delivery of periodicals	207 519	191 604
Unused postage stamps	196 375	132 075
Delivery of parcels, small packages	87 536	81 843
Receipt of cash payments	4 088	4 464
Other	3 537	3 677
Total deferred revenue	**499 055**	**413 663**

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).

All amounts in tables are presented in thousands of Ukrainian Hryvnia

19 Other current liabilities

Other current liabilities consist of the following payables:

(in thousand hryvnias)	**31 December 2021**	**31 December 2020**
Advanced pensions and other social payments	1 994 318	2 527 455
Amounts due to publishers	317 541	316 456
Money transfers due to customers	338 707	289 304
Collected amounts due to utility companies	218 475	276 634
Amounts due for sold merchandise	114 978	112 290
Other	74 516	68 675
Other current liabilities	**3 058 535**	**3 590 814**

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 these liabilities compared to the similar period of the prior year resulted from a cash advance issued in December 2020 by the Pension fund of Ukraine and the Social Protection Authority for payment of pensions and social benefits to recipients. Such benefits were paid to recipients during the first half of January of the next year through the network of Ukrposhta's postal offices.

20 Revenue from sales of goods, works and services

Revenue from sales of goods, works and services comprised the following:

(in thousand hryvnias)	**2021**	**2020**
Provision of postal services	**6 180 133**	**4 870 948**
Letter post	2 106 805	1 779 622
Delivery of parcels and small packages	2 476 208	1 713 592
International postal exchange	883 178	701 298
Subscription and delivery of periodicals	429 017	446 390
Other postal services	284 925	230 046
Financial and related services	**4 551 837**	**3 904 777**
Delivery of pensions and other social payments	2 937 917	2 627 218
Utility payments	1 266 241	966 874
Postal money transfers	258 623	235 686
Other financial services	89 056	74 999
Sale of own and commission goods	**448 185**	**402 929**
Other commercial services	**1 713**	**3 783**
Total revenue from sales of goods, works and services	**11 181 868**	**9 182 437**

All amounts in tables are presented in thousands of Ukrainian Hryvnia

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

Revenues are generated from the following geographical areas*:

(in thousand hryvnias)	**2021**	**2020**
Ukraine	10 298 691	8 481 138
Latvia	217 326	40 828
russia	152 345	88 240
Hong Kong	97 972	52 724
China	50 370	116 324
Estonia	43 355	91 464
Other countries	321 809	311 719
Total revenue from sales of goods, works and services	**11 181 868**	**9 182 437**

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:

(in thousand hryvnias)	**2021**	**2020**
At a point in time	**10 849 477**	**8 829 311**
Delivery of pensions and other social payments	2 937 917	2 627 218
Letters	2 106 805	1 779 622
Delivery of parcels, small packages	2 476 208	1 713 592
Other financial services	1 613 920	1 277 559
International postal exchange	883 178	701 298
Sale of goods and other services	448 185	402 929
Other postal services	284 925	230 046
Subscription	96 626	93 264
Other commercial services	1 713	3 783
Over time	**332 391**	**353 126**
Delivery of periodicals	332 391	353 126
Total revenue	**11 181 868**	**9 182 437**

International postal exchange revenue for 2021 includes a significant portion for which the reconciliation process with postal operators of other countries was partially completed at the date of issue of these financial statements and therefore revenue estimates were adjusted respectively.

All amounts in tables are presented in thousands of Ukrainian Hryvnia

21 Cost of sales of goods, works and services

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

(in thousand hryvnias)	**2021**	**2020**
Salaries and wages	4 945 530	4 231 985
Social contributions	1 186 232	1 010 267
Costs incurred on international postal exchange	1 209 779	891 671
Material costs	617 817	503 871
Depreciation and amortisation	431 134	321 234
Bank fees	143 739	123 248
Cost of goods sold	96 887	92 732
Other	905 307	559 557
Total cost of sales of goods, works and services	**9 536 425**	**7 774 565**

Costs incurred on international postal exchange for 2021 include a significant portion for which the reconciliation process with postal operators of other countries was partially completed at the date of issue of these financial statements and therefore costs estimates were adjusted respectively.

22 Selling expenses

Selling expenses for the year comprised the following:

(in thousand hryvnias)	**2021**	**2020**
Salaries and wages	199 689	153 016
Social contributions	42 302	31 702
Material costs	5 237	10 394
Advertising expenses	7 424	9 296
Depreciation and amortisation	963	1 161
Other	3 734	5 798
Total selling expenses	**259 349**	**211 367**

23 Administrative expenses

Administrative expenses for the year comprised the following:

(in thousand hryvnias)	**2021**	**2020**
Salaries and wages	1 011 441	864 365
Social contributions	201 658	169 360
Mandatory payments, taxes and fees	41 464	31 077
Depreciation and amortisation	17 171	26 107
Material costs	6 106	5 434
Other	46 210	40 656
Total administrative expenses	**1 324 050**	**1 136 999**

Administrative expenses include, among other items, expenses related to services for statutory audit of the annual financial statements, review of the condensed interim financial statements for the first half of 2021 and agreed-upon procedures services concerning financial information.

All amounts in tables are presented in thousands of Ukrainian Hryvnia

24 Other operating expenses

Other operating expenses for the year comprised the following:

(in thousand hryvnias)	**2021**	**2020 (restated)**
Salaries and wages	37 729	30 947
Social contributions	31 593	25 890
Compensation for the cost of lost postal parcels	42 645	24 534
Shortages of inventories and cash	16 953	21 232
Credit loss and advances impairment allowance	21 720	11 071
Depreciation and amortisation	4 824	6 381
Foreign exchange losses	-	11 663
Penalties	4 839	2 228
Other	9 731	13 291
Total other operating expenses	**170 034**	**147 237**

As specified in Note 6, the Company restated the financial lease obligations for 2020, as the cost of the lease object includes a currency component and is dependent on the fluctuations of foreign currency exchange rates with respect to UAH, the settlement currency. The recalculation amount for the year ended 31 December 2020, is included in the line Losses from exchange rate differences in the amount of UAH 11,663 thousand.

25 Other financial income

Financial income for the year comprised the following:

(in thousand hryvnias)	**2021**	**2020**
Interest received on bank balances	103 488	91 370
Dividends received	1 389	2 914
Other	27	233
Total financial income	**104 904**	**94 517**

26 Financial expenses

Financial expenses for the year comprised the following:

(in thousand hryvnias)	**2021**	**2020 (restated)**
Interest expenses related to leases	40 030	35 132
Expenses related to bonds servicing	39 316	16 651
Interest expense on finance lease liabilities	34 093	33 322
Financial expenses under bank loans	495	-
Other	635	923
Total financial expenses	**114 569**	**86 028**

All amounts in tables are presented in thousands of Ukrainian Hryvnia

26 Financial expenses (continued)

As mentioned above (Note 6), the Company restated the obligations under the bonds issued in connection with inaccurate calculation of the discount amount and made certain adjustments in the financial statements for the year ended 31 December 2020 with respect to the financial lease obligation related with the adjustment of the currency component (Note 6, 24 and 27) and recalculation of the obligation under the effective interest rate. The amount of adjustments under the bonds in the amount of UAH 13,637 thousand is included in the line Expenses related to bonds servicing. The amount of adjustment with respect to recalculation of financial expenses related to financial lease under the effective interest rate in the amount of UAH 3,352 thousand is included in the line Interest expenses on financial lease liabilities.

27 Other operating income

Other operating income for the year comprised the following:

(in thousand hryvnias)	**2021**	**2020 (restated)**
Income from the provision of exchange services	120 127	124 157
Rental income	102 093	94 353
Compensation for the cost of lost postal parcels	24 956	9 140
Foreign exchange gains	11 946	-
Other	50 349	31 733
Total other operating income	**309 471**	**259 383**

The Company restated the financial lease obligations for 2020 (Note 6), with respect to the exchange rate differences under the obligations, as the value of the lease object includes a currency component and is dependent on the fluctuations of foreign currency exchange rates with respect to UAH, the settlement currency. The restatement amount for the year ended 31 December 2020 is reflected in the line Foreign exchange gains by reversal of the previously recognized income amount of UAH 2,295 thousand.

28 Other income

(in thousand hryvnias)	**2021**	**2020**
Profit from the sale of real estate	86 277	63 743
Income from changes in the value of financial instruments	1 153	4 109
Other	4 275	1 107
Total other income	**91 705**	**68 959**

29 Other expenses

(in thousand hryvnias)	**2021**	**2020**
Contributions to trade unions	27 887	23 733
Depreciation of non-current assets	11 690	9 388
Write-off of non-current assets	3 094	3 595
Non-operating foreign exchange losses	2 477	-
Other	427	8 761
Total other expenses	**45 575**	**45 477**

All amounts in tables are presented in thousands of Ukrainian Hryvnia

30 Income tax

(in thousand hryvnias)	**2021**	**2020 (restated)**
Current income tax charge	66 905	48 856
Deferred income tax benefit	(12 541)	(6 473)
Income tax (expense)/credit	**54 364**	**42 383**

The Company is subject to taxation in Ukraine. In 2021 and 2020, Ukrainian corporate income tax was levied on taxable income less allowable expenses at the rate of 18%.

Approval of the effective tax rate:

(in thousand hryvnias)	**2021**	**2020 (restated)**
Profit / (loss) before tax	**237 946**	**203 623**
Statutory income tax rate	18%	18%
Tax charge/(credit) at the statutory tax rate	**42 830**	**36 652**
Net effect of non-deductible expenses / (income exempt from taxation)	5 798	5 731
Items for which deferred taxes were not recognized during previous periods	5 736	-
Income tax (expense)/credit	**54 364**	**42 383**

Differences between Ukrainian tax rules and IFRSs lead to some temporary differences between the asset’s carrying amount and liabilities for financial reporting purposes and their tax bases.

As mentioned above (Note 6), the Company adjusted certain transactions related to bonds issued and financial lease, which, in aggregate, led to decrease of the total taxable profit amount by UAH 3,672 thousand. In addition, the Company made some clarifications to the income tax calculation for 2020. In aggregate, this led to increase of the income tax for the year ended 31 December 2020 by UAH 10 thousand, as well as to increase of the aggregate impact of the non-deductible losses by UAH 673 thousand.

Changes in recognized temporary differences during the year ended 31 December 2021 are presented as follows:

(in thousand hryvnias)	**1 January 2021**	**Charged to the profit and loss**	**31 December 2021**
Property, plant and equipment and investment property	(217 813)	16 330	(201 483)
Non-current assets held for sale	3 552	(1 403)	2 149
Construction in progress	-	(7 304)	(7 304)
Inventory and provisions	1 368	249	1 617
Accounts receivable	11 247	4 669	15 916
Net deferred tax assets (liabilities)	**(201 646)**	**12 541**	**(189 105)**

All amounts in tables are presented in thousands of Ukrainian Hryvnia

30 Income tax (continued)

Changes in recognized temporary differences during the year ended 31 December 2020 are presented as follows:

(in thousand hryvnias)	**1 January 2020**	**Charged to the profit and loss**	**31 December 2020**
Property, plant and equipment and investment property	(232 269)	14 456	(217 813)
Intangible assets	2 313	1 239	3 552
Capital investments in progress	4 958	(4 958)	-
Inventory	-	1 368	1 368
Accounts receivable	9 466	1 781	11 247
Tax losses of previous periods	7 413	(7 413)	-
Net deferred tax assets (liabilities)	**(208 119)**	**6 473**	**(201 646)**

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

31 Contingencies and commitments

Tax legislation. Ukrainian tax, currency and customs legislation is subject to changes, which can occur frequently, and varying interpretations. 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.

Impairment of assets. The Company impaired its non-current assets located on non-controlled territories of Donetsk and Luhansk regions (Note 13). Taking into account the unfavourable court decision, tax authorities may scrutinize this operation and interpret it differently. Therefore, the impairment of assets may result in assessment of indirect taxes in the amount of UAH 90.6 million (including penalties).

Management believes that there are strong arguments to successfully defend any such challenge and did not recognise any provision for this tax risk in these financial statements.

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 territory of Crimea and certain parts of the Donetsk and Lugansk regions. While liabilities of that nature may be subject to future collection claims, management assesses the likelihood of such events as relatively insignificant and remote.

All amounts in tables are presented in thousands of Ukrainian Hryvnia

32 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 which are classified in the Statement of Financial Position as current financial investments and transactions with customers, including outstanding trade 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 5,848,965 thousand (31 December 2020: UAH 5,389,033 thousand) being the carrying amount of financial accounts receivable, accounts receivable of accrued income 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 (see Note 11).

Credit risks concentration.

The Company performs credit risks concentration analysis. As at 31 December 2021 trade and other accounts receivable due from 3 largest debtors of the Company comprised UAH 225,758 thousand, or 41% of total trade and other accounts receivable (31 December 2020: UAH 110,993 thousand, or 26%).

Management continuously controls settlements with key debtors in order to ensure timely payments for services provided by the Company.

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:

(in thousand hryvnias)	**31 December 2021**	**31 December 2020**
Monetary financial assets	1 022 166	1 348 766
Monetary financial liabilities	(1 458 312)	(959 155)
Net balance sheet position	**(436 146)**	**389 611**

All amounts in tables are presented in thousands of Ukrainian Hryvnia

32 Financial risk management (continued)

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 71,528 thousand, respectively (31 December 2020: UAH 63,896 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 bonds in issue. The Company independently sets the interest rate on its bonds in issue. Borrowings at fixed rate expose the Company to fair value interest rate risk. The Company is not actively managing its interest rate risk exposure as it is believed to be insignificant.

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

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

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

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

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

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

The maturity analysis of financial liabilities at 31 December 2021 is as follows:

(in thousand hryvnias)	**Less than 3 month**	**From 3 months to 1 year**	**From 1 to 5 years**	**From 5 years**
Liabilities				
Other current liabilities (line 1690)	3 058 535	-	-	-
Trade accounts payable (line 1615)	1 733 721	-	-	-
Borrowings (lines 1600 and 1510)	-	127 223	462 107	150 771
Lease liability (as part of lines “Other long-term liabilities” and “Current accounts payable on settlements for long-term liabilities”)	75 394	230 199	387 980	69 455
Total future payments, including principal and interest	**4 867 650**	**357 422**	**850 087**	**220 226**

The maturity analysis of financial liabilities at 31 December 2020 is as follows:

(in thousand hryvnias)	**Less than 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**From 5 years**
Liabilities				
Other current liabilities (line 1690)	3 590 814	-	-	-
Trade accounts payable	1 103 112	-	-	-
Borrowings	-	250 758	65 878	-
Lease liability (as part of lines “Other long-term liabilities” and “Current accounts payable on settlements for long-term liabilities”)	75 876	183 928	438 183	119 485
Total future payments, including principal and interest	**4 769 802**	**434 686**	**504 061**	**119 485**

33 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.

34 Subsequent events

Military invasion

In connection with the russian federation’s military invasion of Ukraine, which began on 24 February 2022, the President of Ukraine issued the decree No.64/2022 of 24 February 2022 “On Imposition of the State of War in Ukraine”, approved by the Law of Ukraine No.2102-IX of 24 February 2022 “On Approval of the decree of the President of Ukraine “On Imposition of the State of War in Ukraine””.

In accordance with the resolution of the Cabinet of Ministers of Ukraine No. 305 of 17 March 2022 “On Peculiarities of Operation of the Stock Company “Ukrposhta” During the State of War”, the management activated the operating plan in response to possible deteriorating of the situation in certain regions of Ukraine, which includes in particular:

- ensuring technical ability to supply medicines, humanitarian aid, mail, etc;
- ensuring technical ability to provide pensions and monetary aid to the citizens, including during evacuation;
- free transportation of property of Ukrainian legal entities in accordance with the list prepared by the Ministry of Economy and provided to the Ministry of Infrastructure;

After the beginning of the russian federation’s full-scale invasion of Ukraine, military operations and shelling continue, causing civilian citizens and destruction of infrastructure in Ukraine. Destroyed infrastructure, strengthened permit system and fuel supply issues negatively impact the logistics at the territory controlled by the Government of Ukraine. In addition, part of the territory remain occupied by the russian federation and the Company has no access to the assets on that territory. Due to constant changes of the situation, as of the date of approval of these financial statements the management is still assessing the losses incurred. At the moment, according to the preliminary assessment, losses from damage and destruction of buildings and vehicles are approximately up to UAH 30 million.

The operating losses were caused mostly by the shortfall of planned revenues, namely by the significant decrease of demand for postal delivery services inside and outside the country, as well as postal money transfers. At the same time, the decrease of revenues related to pensions delivery, utility payments, retail trade and periodicals subscription was limited. In general, the management estimates the amount of lost revenues from the beginning of the war to be over UAH 1 billion.

Notwithstanding the complicated safety situation related to the russian invaders’ attack against our country, Ukrposhta has made a decision to restore the operation of some post offices from February 25 on the condition of ensuring the necessary safety level for the customers and employees.

As of the date of approval of these financial statements, some areas of Donetsk, Luhansk, Kherson, Zaporizhzhia and Kharkiv regions remain occupied. Approximately 12% of post offices are located at these territories. Currently, almost 6 000 post offices are operating.

Despite the current circumstances, the Company is still fulfilling its debt obligations due to creditors, including repayment of bonds in May 2022 in the amount of UAH 74 million, including interest.

34 Subsequent events (continued)

Investment

The Company also continues the implementation of the main strategic investment projects, particularly those related to automation of stationary post offices, completion of implementation of mobile post offices in rural areas (with the financial support from the European Bank for Reconstruction and Development), implementation of the ERP system and upgrading other critical IT systems.

In 2021 SC "Ukrposhta" also concluded contracts for construction of sorting hubs in Kyiv, Lviv, Kharkiv, Dnipro and a depo in Ivano-Frankivsk, however, due to start of the military operations, implementation of these projects was suspended.

In November, 2021 the Company also concluded a preliminary agreement for purchase and sale of the controlling share in one of the private commercial banks in order to be able to provide banking services through the Ukrpooshta post office network. The contract will be performed exclusively on the condition of receipt of the permission from the National Bank of Ukraine and Antimonopoly Committee and compliance with other terms and condition of the agreement. As of the moment, the management hasn't received the necessary permissions, the negotiations continue with respect to extension of this agreement.

It is difficult to foresee the final outcome and consequences of the war, however, they may have a serious impact on Ukraine's economy and the Company's business. The management is making efforts to detect and mitigate the influence on the Company, but there are certain factors which the Company is unaware of and cannot control, particularly the duration and level of the military operations, as well as further actions of the Government and diplomats.

Dividends

After the reporting date, the Company paid UAH 48,6 million of dividends to the state budget of Ukraine based on results for 2021.

No other significant events were identified that would require adjustments or disclosures in the Company's financial statements for the year ended 31 December 2021.

Approved for issue and signed:

I. Smelyansky General Director	M. Paliy Deputy General Director of Finance	O. Chorna Acting Chief Accountant