Public Joint Stock Company
National Depository of Ukraine

Financial Statements and
Independent Auditor's Report
for the year ended
31 December 2015

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PUBLIC JOINT STOCK COMPANY NATIONAL DEPOSITORY OF UKRAINE

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

Management is responsible for the preparation of the financial statements that present fairly the financial position of Public Joint Stock Company National Depository of Ukraine (the "Company") as at 31 December 2015, and its financial performance, cash flows and changes in equity for the year then ended, as well as for the disclosure of a summary of significant accounting policies and other explanatory information in accordance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- proper selection and adoption of accounting policies;
- presentation of information including accounting policies in a manner that provides relevant, reliable, comparable and understandable information;
- provision of additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- statement of compliance with IFRS provided that significant departures, if any, are properly disclosed and explained in the financial statements; and
- assessment of the Company's ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and reliable internal control system in the Company;
- ensuring that the Company keeps its accounting records in a manner which enables to disclose and explain the Company's transactions and to present, with sufficient accuracy as of any date, the Company's financial position, and that the Company's financial statements comply with IFRS;
- maintaining statutory accounting records in compliance with the legislation;
- taking such steps as are reasonably available to management to safeguard the assets of the Company; and
- preventing and detecting fraud and other irregularities

The financial statements for the year ended 31 December 2015 were approved by the Company's management on 25 April 2016.

On behalf of Management:

Chief Executive Officer
Gennadiy Zhurov

25 April 2016

Chief Accountant
Olena Zvolska

25 April 2016

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Executive Board of Public Joint Stock Company National Depository of Ukraine:

We have audited the accompanying financial statements of Public Joint Stock Company National Depository of Ukraine (the "Company") which comprise the statement of financial position as of 31 December 2015 and statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the requirements of the Law of Ukraine "On Audit Activities" and International Standards on Auditing adopted as National Standards on Auditing based on the Decisions of the Chamber of Auditors of Ukraine of 18 April 2003 and 29 December 2015.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Basis for Qualified Opinion

The Company did not estimate the provision for unused vacations as at 31 December 2014 due to the circumstances beyond the Company's control because its employees' working time records for the prior periods before 31 December 2014 were destroyed in a fire. Due to this limitation, we were unable to estimate the provision for unused vacations as of that date.

Qualified Opinion

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion paragraph above, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw your attention to Note 2 to the financial statements. The operations of the Company, and those of other entities in Ukraine, have been affected and may continue to be affected for the foreseeable future by the continuing political and economic uncertainties in Ukraine. Our opinion is not qualified in respect of this matter.

LLC AF PricewaterhouseCoopers (Audit)

25 April 2016
Kyiv, Ukraine

Director – Member of the Board, L. S. Pakhucha
Bank Auditor Certificate No 0025,
Issued by the Chamber of Auditors of Ukraine,
effective till 1 January 2020

PUBLIC JOINT STOCK COMPANY NATIONAL DEPOSITORY OF UKRAINE

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015
(in thousands of Ukrainian hryvnias)

	Notes	31 December 2015	31 December 2014
ASSETS			
Non-current assets			
Property and equipment	5	8,192	6,679
Intangible assets	5	8,086	9,270
Deferred income tax assets		1,665	-
Other long-term financial investments		19	19
Total non-current assets		**17,962**	**15,968**
Current assets			
Cash and bank accounts including:	6	86,762	106,986
own funds	6	85,926	84,563
customer funds in settlements	6	836	22,423
Accounts receivable for services provided	7	3,987	6,704
Other assets	8	2,101	7,386
Income tax receivable		1,803	-
Inventories		166	424
Total current assets		**94,819**	**121,500**
TOTAL ASSETS		**112,781**	**137,468**
EQUITY			
Share capital	9	103,200	103,200
(Accumulated deficit)/retained earnings		(202)	5,866
Reserve capital		2,164	1,583
TOTAL EQUITY		**105,162**	**110,649**
LIABILITIES			-
Current liabilities			-
Accounts payable for services	10	2,482	2,678
Provisions for other liabilities and charges	11	2,538	2
Other liabilities including:	12	2,599	23,947
customer settlements	12	836	22,423
Income tax payable		-	192
Total current liabilities		**7,619**	**26,819**
TOTAL LIABILITIES		**7,619**	**26,819**
TOTAL LIABILITIES AND EQUITY		**112,781**	**137,468**

Approved for issue and signed on behalf of Management of Public Joint Stock Company National Depository of Ukraine:

Chief Executive Officer
Gennadiy Zhurov

25 April 2016

Chief Accountant
Olena Zvolska

25 April 2016

PUBLIC JOINT STOCK COMPANY NATIONAL DEPOSITORY OF UKRAINE

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

(in thousands of Ukrainian hryvnias)

	Notes	Year ended 31 December 2015	Year ended 31 December 2014
REVENUE:			
Depositary operations	13	42,418	41,526
Services rendered by the Accredited Certification Authority		2,919	1,107
Assignment of international securities identification numbers		1,229	1,481
Activity performed as an authorised safe-keeping agency for depositary assets		339	239
General shareholder meeting facilitation services to issuers		759	270
Total revenue		**47,664**	**44,623**
EXPENSES:			
Staff costs, including:		32,147	31,355
payroll		29,611	31,353
provision for unused vacations		2,536	2
Operating lease	14	9,171	691
Provision for impairment losses	15	7,425	2,534
Write-off of assets		89	-
Depreciation and amortisation	5	4,745	2,844
General and administrative expenses	16	10,829	7,708
Total expenses		**64,406**	**45,132**
OPERATING EXPENSES		**(16,742)**	**(509)**
Net gain from trading in foreign currencies	17	373	461
Finance income	18	16,796	15,266
Result from disposal of assets		186	320
Other income		65	21
PROFIT BEFORE TAX		**678**	**15,559**
Income tax expense	19	(364)	(3,958)
NET PROFIT FOR THE YEAR		**314**	**11,601**
EARNINGS PER SHARE			
Weighted average number of ordinary shares in issue		10,320	10,320
Earnings per share, basic and diluted (expressed in UAH)		30.46	1,124.21
OTHER COMPREHENSIVE INCOME (EXPENSES)		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**314**	**11,601**

Approved for issue and signed on behalf of Management of Public Joint Stock Company National Depository of Ukraine:

Chief Executive Officer
Gennadiy Zhurov

25 April 2016

Chief Accountant
Olena Zvolska

25 April 2016

The notes on pages 8 to 38 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

(in thousands of Ukrainian hryvnias)

	Notes	Share capital	Other additional capital	Reserve capital	Retained earnings	Accumulated deficit	Total equity
1 January 2014		**103,200**	**32,498**	**989**	**11,984**	**(11,184)**	**137,487**
Net profit for the year		-	-	-	11,601	-	11,601
Other comprehensive income (expenses)		-	-	-	-	-	-
Total comprehensive income		-	-	-	11,601	-	11,601
Non-current assets revaluation	5	-	(32,498)	-	-	-	(32,498)
Dividends declared	9, 12	-	-	-	(5,941)	-	(5,941)
Allocations to reserve capital	9	-	-	594	(594)	-	-
31 December 2014		**103,200**	-	**1,583**	**17,050**	**(11,184)**	**110,649**
Net profit for the year		-	-	-	314	-	314
Other comprehensive income (expenses)		-	-	-	-	-	-
Total comprehensive income		-	-	-	314	-	314
Dividends declared	9, 12	-	-	-	(5,801)	-	(5,801)
Allocations to reserve capital	9	-	-	581	(581)	-	-
31 December 2015		**103,200**	-	**2,164**	**10,982**	**(11,184)**	**105,162**

Approved for issue and signed on behalf of Management of Public Joint Stock Company National Depository of Ukraine:

Chief Executive Officer
Gennadiy Zhurov

25 April 2016

Chief Accountant
Olena Zvolska

25 April 2016

«НАЦІОНАЛЬНИЙ ДЕПОЗИТАРІЙ УКРАЇНИ»
ідентифікаційний код 30370711
№1

The notes on pages 8 to 38 form an integral part of these financial statements

PUBLIC JOINT STOCK COMPANY NATIONAL DEPOSITORY OF UKRAINE

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015
(in thousands of Ukrainian hryvnias)

	Notes	31 December 2015	31 December 2014
Operating activities			
Cash proceeds from customers:			
Depositary operations		37,875	37,913
Services rendered by the Accredited Certification Authority		3,468	1,373
Assignment of international securities identification numbers		917	1,451
Activity performed as an authorised safe-keeping agency for depositary assets		446	244
General shareholder meeting facilitation services to issuers		892	477
Other inflows / (outflows)		38	(1,976)
Cash payments to suppliers		(17,217)	(7,302)
Cash payments for payroll		(29,700)	(31,722)
Interest received		15,356	15,266
Income tax paid		(4,025)	(6,362)
Other taxes and levies paid		(1,029)	(413)
Net cash flows from operating activities		**7,021**	**8,949**
Investing activities			
Proceeds from disposal of property and equipment		774	481
Purchase of property and equipment		(2,060)	(6,605)
Purchase of intangible assets		(508)	(784)
Net cash flows from investing activities		**(1,794)**	**(6,908)**
Financing activities			
Dividends paid to shareholders		(5,694)	(5,831)
Net cash flows from financing activities		**(5,694)**	**(5,831)**
Net decrease in cash balances		**(467)**	**(3,790)**
Effect of exchange rates changes on cash and cash equivalents		390	814
Cash and cash equivalents at the beginning of the year		84,563	87,539
Cash and cash equivalents at the end of the year	**6**	**84,486**	**84,563**

Cash flows from customer settlements are excluded from cash and cash equivalents for the purposes of the statement of cash flows as they are restricted in use for the Company's day-to-day settlements:

	Notes	31 December 2015	31 December 2014
Cash inflows from customer settlements	6, 12	4,979,265	12,508,203
Cash outflows from customer settlements	6, 12	(5,000,852)	(12,485,780)

Approved for issue and signed on behalf of Management of Public Joint Stock Company National Depository of Ukraine:

Chief Executive Officer
Gennadiy Zhurov

25 April 2016

Chief Accountant
Olena Zvolska

25 April 2016

The notes on pages 8 to 38 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
(in thousands of Ukrainian hryvnias)

1. GENERAL INFORMATION ON OPERATIONS IN 2015

Public Joint Stock Company National Depository of Ukraine (the "Company") was established on the basis of the Agreement on establishing the Company signed between the National Securities and Stock Market Commission and the National Bank of Ukraine on 18 December 1998 according to the Law of Ukraine "On National Depositary System and Peculiarities of Electronic Circulation of Securities in Ukraine" and was registered as an open joint stock company on 17 May 1999 (state registration certificate A01 No 795373 of 22 May 1999).

As required by the Law of Ukraine "On Joint Stock Companies" effective from 17 September 2008 (as amended), the General Shareholders' Meeting of the Company decided to change the name of Open Joint Stock Company National Depository of Ukraine to Public Joint Stock Company National Depository of Ukraine (Minutes No 1 dated 27 April 2011).

Prior to 12 October 2013, the Company carried out its professional activities on the stock market based on a licence for exercising depositary activity of a securities depository and a licence for exercising clearing and settlement activity issued by the National Securities and Stock Market Commission.

On 12 October 2013, the Company gained a status of the Central Securities Depository (the “CSD”) in compliance with the Law of Ukraine "On Depositary System of Ukraine" (the "Law") based on the Resolution of the National Securities and Stock Market Commission of 1 October 2013 No 2092 for registration of the General Terms and Conditions of the Central Securities Depository submitted by the Company.

The Central Securities Depository operates in compliance with the Law of Ukraine "On Joint Stock Companies" with consideration of peculiarities set by the Law of Ukraine "On Depositary System of Ukraine" (the "Law").

The Central Securities Depository provides for the securities depositary record-keeping system setting-up and functioning.

The Central Securities Depository keeps depositary records of all eligible securities, except for those, records of which are kept by the National Bank of Ukraine within the terms of reference defined by the Law.

The General Terms and Conditions of the Central Securities Depository define general procedure of rendering CSD services related to depositary activity, executing transactions within the depositary record-keeping system and CSD oversight over depositary institutions.

During 2015, the Company performed the following activities in compliance with the effective legislation of Ukraine:

- depositary activity of the Central Securities Depository;
- acting as a paying agent for income payments on financial instruments;
- assignment of international identification numbers to securities and other financial instruments;
- activity of an authorised safe-keeping agency for depositary assets;
- general shareholders meeting facilitation services;
- services of the Accredited Certification Authority;
- other activities not prohibited by the Law.

The Company's place of business: 17/8, Nyzhniy Val Str., Kyiv, 04071, Ukraine.

Country of registration: Ukraine.

Founders (shareholders) of the Company

As at 31 December 2015, the State's total stake (aggregated interest) in the Company's share capital is 25% managed by the National Securities and Stock Market Commission, 25% of the Company's shares belong to the National Bank of Ukraine and 10.9% of the Company's shares are held by the Corporate Non-State Pension Fund of the National Bank of Ukraine. In addition, the state-owned banks Public Joint Stock Company "The State Export-Import Bank of Ukraine" and Public Joint Stock Company "State Savings Bank of Ukraine" own 9.99% and 24.99% of the Company's shares respectively. Remaining shares of the Company belong to domestic private and institutional investors.

Organisation structure of the Company

As at 31 December 2015, the Company employed 128 people (31 December 2014: 148 people).

Licences and certificates of the Company

According to the Law of Ukraine, only one Central Securities Depository may exist. According to the Law, the depositary activity of the Central Securities Depository, which is one type of professional activities on the stock market, is not subject to individual licensing.

The Company is included in the state register of financial institutions that render financial services on the securities market (certificate issued by the National Securities and Stock Market Commission on 8 May 2014 No 1340).

The Company is entitled to open accounts with foreign financial institutions in accordance with the General Licence for currency transactions of 28 July 2011 No 79 and individual licences issued by the National Bank of Ukraine to make securities settlements with foreign depositary and clearing institutions.

The Company was granted appropriate licences to support services of the Accredited Certification Authority (a Certificate of Compliance No 12472 issued by the State Service for Special Communication and Information of Ukraine on 25 May 2015 and a Certificate on Certification Authority Accreditation Series A No 35 issued by the Ministry of Justice of Ukraine).

2. OPERATING ENVIRONMENT AND GOING CONCERN

The recent political and economic instability in Ukraine has continued in 2015 and has led to a deterioration of State finances, volatility of financial markets, illiquidity on capital markets, high inflation and depreciation of the national currency against major foreign currencies.

In March 2014, Crimea, the Autonomous Republic as part of Ukraine, was actually annexed by the Russian Federation. Furthermore, Ukraine seriously suffered from the continued armed conflict with separatist forces in some parts of the Donetsk and Lugansk regions, and no peaceful settlement of the conflict required by the Minsk arrangements was achieved. The relationships between Ukraine and the Russian Federation worsened and remained strained. On 1 January 2016, the agreement on the free trade area between Ukraine and the EU came into force. The Russian government reacted to this event by implementing a trading embargo on many key Ukrainian export products. In response, the Ukrainian government implemented similar measures against Russian products.

As at the date of this report the official exchange rate of Hryvnia against US dollar was UAH 25.38 per USD 1, compared to UAH 24.00 per USD 1 as at 31 December 2015 (31 December 2014: UAH 15.77 per USD 1). To constrain further devaluation of Hryvnia the NBU has imposed a number of restrictions on operations with foreign currency including: a temporary ban on payment of dividends in foreign currency; a temporary ban on early repayment of debts to non-residents; mandatory sale of 75% of revenue in foreign currency and other restrictions on cash and non-cash operations. The NBU prolonged these restrictions several times during 2015 and 2016 and the current restrictions are effective until 8 June 2016.

Devaluation of the national currency created pressure on consumer price index. The official inflation rate in Ukraine for 2015 reached 43.3% (2014: 24.9%).

On 11 March 2015 the IMF Executive Board approved a four-year Extended Fund Facility ("EFF") programme for Ukraine exceeding USD 17 billion. During 2015 Ukraine obtained first and second tranches in accordance with the programme in the amount of USD 5 billion and USD 1.7 billion, respectively. Further disbursements of IMF tranches depend on the implementation of Ukrainian government reforms, and other economic, legal and political factors.

In October 2015, Ukraine reached an agreement with the majority of its creditors for restructuring of part of the national external debt in the amount of USD 15 billion. The restructuring pushes out maturities of restructured debt to 2019-2027, fixing annual interest rate at the level of 7.75% and includes exchange of 20% of the debt into GDP warrants at par value of USD 2.9 billion.

There remains a significant portion of debt, namely USD 3 billion of loan issued by the Russian Federation, for which a restructuring has not been agreed to.

After reaching the above restructuring agreement on external debt with the majority of its creditors, the credit rating of Ukraine has improved.

The stabilisation of the political and economic situation is highly dependent on an ability of the Ukrainian Government to continue reforms and an ability of the Ukrainian economy to respond to market developments appropriately. The future developments and the ongoing effects of the political and economic situation on the Company and its customers and subcontractors are difficult to predict.

The Company's total comprehensive income for the year ended 31 December 2015 amounts to UAH 314 thousand, which is significantly lower than in 2014 (UAH 11,601 thousand). A decrease in the total comprehensive income for 2015 was mainly driven by an increase in the impairment loss provisions for accounts receivable from customers and by closure of the outlet located in Crimea. Negative cash flows for 2015 resulted from an extinguishment of liabilities to customers for funds in settlements as at 31 December 2014.

Management prepared these financial statements based on an assumption that the Company is an entity able to continue as a going concern. The going concern assumption is based on profitable operations and strong liquidity position in 2015 as well as on the Company's legislative position as the Central Securities Depository.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). 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.

The preparation of financial statements in conformity with IFRS requires management to use judgements, estimates and assumptions that affect recorded assets, liabilities and contingent liabilities as of the reporting date and income and expenses for the reporting period. Estimates and related assumptions are based on management's past experience and other factors as considered by management. The actual results could differ from those estimates and assumptions.

Judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised, and are applied in all subsequent periods.

These financial statements are presented in thousands of Ukrainian hryvnias ("UAH"), unless otherwise stated.

These financial statements have been prepared under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of available-for-sale financial assets, and financial instruments categorised as at fair value through profit or loss. Depending on their classification financial instruments are carried at fair value, cost or amortised cost.

The Company maintains its accounting records in accordance with the Ukrainian legislation. These financial statements have been prepared from the Ukrainian statutory accounting records that the Company maintains in accordance with the regulatory acts of the Ministry of Finance of Ukraine and have been adjusted to conform to IFRS.

These adjustments include certain reclassifications to reflect the economic substance of underlying transactions including reclassifications of certain assets and liabilities, income and expenses to appropriate financial statement captions.

Functional currency

The functional currency of the Company is the currency of the primary economic environment in which the Company operates. The functional currency of the Company and the Company's presentation currency is the national currency of Ukraine, Ukrainian Hryvnia ("UAH"). All values are rounded to the nearest thousand, unless otherwise stated.

Foreign currency translation

Income earned, expenses incurred and capital assets purchased in foreign currencies are translated into the functional currency at the exchange rates ruling on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate effective at the end of the reporting period or at the contractual exchange rate, where appropriate. Unrealised and realised foreign exchange gains and losses are recorded in the statement of profit or loss and other comprehensive income as other income.

The official exchange rates used for the preparation of these financial statements are as follows:

Currency	At 31 December 2015	At 31 December 2014
US dollar (USD)	24.000668	15.768556
Euro (EUR)	26.223129	19.232908
Russian rouble (RUB)	0.329310	0.303040

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) the event of default and (iii) the event of insolvency or bankruptcy. Income and expense items are not offset in the statement of profit or loss and other comprehensive income unless this is required or permitted by IFRSs or relevant interpretation, in which case separate disclosures are made in the Company's accounting policies. The Company accounts for transfers of financial assets that do not result in derecognition of such assets without offsetting the transferred assets and associated liabilities.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied and services rendered stated net of discounts, returns and value added taxes. The Company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Company; and when specific criteria have been met for each of the Company's activities.

Revenues from sales of goods are recognised at the point of transfer of risks and rewards of ownership of the goods, normally when the goods are shipped.

Sales of services are recognised in the accounting period in which the services are rendered, by reference to the stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

The Company's revenue from sales of services rendered in its capacity of the Central Securities Depository comprises income earned as per effective fee rates of the Central Securities Depository, and is recognised as revenue over the period of the service provision.

Interest income is recognised on a time-proportion basis using the effective interest method.

Property, equipment and intangible assets

Items of property, equipment and intangible assets are measured at cost less accumulated depreciation/amortisation and accumulated impairment losses, where required. Cost includes expenditure directly attributable to acquisition, delivery, assembly and commissioning of the items.

The cost of an internally generated intangible asset comprises costs of materials, direct labour and other costs directly attributable to preparing the asset to be capable of operating as intended.

Expenditure on research undertaken to gain new technical knowledge is expensed as incurred. Software development costs are capitalised when the following criteria are met:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale,
- the Company has an intention to complete the intangible asset and use or sell it,
- the Company will be able to use the asset upon completion,
- the asset will be useful and is expected to generate future economic benefits for the Company,
- the Company has adequate resources to complete the development and to use the asset, and
- the Company is able to measure reliably the expenditure attributable to the intangible asset during its development.

All intangible assets of the Company have definite useful life and primarily include computer software and acquired computer software licences.

Depreciation/amortisation commences from the date when the asset is completed and ready for use. Depreciation/amortisation is charged to the statement of profit or loss and other comprehensive income on a straight line basis over expected useful life of an asset or major component. The assets' residual values and useful lives are reviewed annually and adjusted if appropriate.

Depreciation/amortisation is calculated using the following useful lives of assets:

Assets	Basis	Useful lives
Buildings and other real estate properties	Straight line	From 10 to 20 years
Furniture and equipment	Straight line	4 years
Other non-current tangible assets	Straight line	From 2 to 12 years
Vehicles	Straight line	5 years
Computer software	Straight line	From 2 to 10 years
Software licences	Over term of a licence	

Costs of enhancement of any item of property, equipment and intangible assets which increases the expected economic benefits embodied in this item increase the asset's cost or revalued amount. Costs of repairs and maintenance of fixed assets are expensed when incurred.

Items of property, equipment and intangible assets are derecognised upon disposal or when no future economic benefits are expected from the continued use of the asset.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of profit or loss and other comprehensive income.

At the end of each reporting period, the Company assesses whether there is any indication of impairment of property, equipment and intangible assets. If any such indication exists, the Company 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. 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 where appropriate 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. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Intangible assets not available for use are tested for impairment at least annually even if no indication of impairment exists, and the recoverable amount is also estimated.

Lease contracts

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases and any incentives received from the lessor are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

Staff costs

Wages, salaries, contributions to the State social funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Company. Under the Ukrainian legislation, the Company makes statutory unified social contribution to the State social funds including pension fund, social security for temporary disability, obligatory State social security fund for unemployment and accident social security fund.

Contributions into State social funds are expensed as incurred. Staff costs include provisions for vacation and bonus payments. The Company does not have any liabilities to employees after their dismissal or other material payments to be accrued.

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/credit 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 the financial information is authorised prior to filing the relevant tax returns. Taxes other than on income are recorded within operating expenses.

Deferred tax is the tax expected to be paid or recovered on differences between the carrying values of assets and liabilities in financial statements and related tax bases used in calculating taxable profit and is provided using the balance sheet liability method. Deferred tax liabilities are generally recorded for all taxable temporary differences and deferred tax assets are recorded for deductible temporary differences only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised. Such assets and liabilities are not recorded for temporary differences on initial recognition of other assets and liabilities in a transaction which affects neither accounting nor taxable profit.

Carrying value of deferred tax assets is reviewed at each reporting date and decreased to the extent that it is no longer probable that future taxable profit will be available against which the asset can be fully or partially recovered.

Deferred tax is recognised in the statement of profit or loss and other comprehensive income except if it is recognised directly in equity because it relates to transactions that are also recognised directly in equity.

Deferred tax assets and liabilities are offset and the net amount reported in the statement of financial position if:

- there is a legally enforceable right to offset current tax assets against current tax liabilities;
- deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Value added tax ("VAT")

Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

Financial instruments

Financial instruments – key measurement terms.

Depending on their classification, financial instruments are carried at fair value or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing 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 entity.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) Level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) Level 3 measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between the levels of fair value hierarchy are considered to take place at the end of the reporting period.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

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 maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

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 net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such 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.

Initial recognition of financial instruments.

Financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is defined as 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.

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 recognized when the entity becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets.

The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all 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 restrictions on the sale.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, and other highly liquid investments with original maturities of three months or less.

Customer funds in settlements are payable on customer instructions. However, the amount is payable within a relatively short period of time and as such is restricted from use in the normal course of business.

Cash and cash equivalents are carried at amortised cost.

In 2015, presentation of cash and cash equivalents for the purpose of cash flow statement was revised to exclude cash owned by customers, which ensures more relevant presentation for users of financial statements. The third balance sheet is not presented as this has no impact on presentation of the statement of financial position or statement of profit or loss and other comprehensive income.

Accounts receivable for services provided

Accounts receivable for services provided represent unquoted non-derivative financial assets with fixed or determinable payments and includes receivables from buyers and customers payable generally within 30 days.

Accounts receivable for services provided are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method net of impairment loss. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial.

Accounts receivable are assessed for recoverability at each reporting date; if appropriate, impairment provision is created against the asset's carrying amount if the asset is not believed to be fully recoverable. The amount of change in the provision is recognised in impairment provision charge in the statement of profit or loss and other comprehensive income.

Classification, provisions for impairment and accounting treatment of accounts receivable do not affect terms of contracts between the Company and its buyers or customers, in particular, the Company's right to receive the full amount of receivable and related fines and penalties for breach of contract.

When the amount due is uncollectible, it is written off against the impairment provision. Recoveries of amounts previously written off against the provision from buyers and customers are credited against impairment charge for the period when the receivable was recovered.

Impairment of financial assets carried at amortised cost.

Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Company determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The primary factors that the Company considers in determining whether a loan is impaired are its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by the counterparty's financial information that the Company obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is an adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the counterparty.

During 2015, management revised the approach to accounting estimates relating to provision for impairment of accounts receivable for services and applied staged increase in provisioning rates depending on origination period of receivable balances, Before 2015, the provision was created at the rate ot 100% for accounts receivable for services with origination periods over one year. Had management continued using the unrevised approach, the provision for impairment of accounts receivable for services as at 31 December 2015 would have been UAH 1,982 thousand lower. Management believes that the revised approach to accounting estimates will enhance adequacy of the provision to present credit quality of accounts payable for services.

Accounts payable for services

Accounts payable are accrued when the counterparty has performed its obligations under the contract and are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate. Short-term payables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. The Company writes off financial liabilities when the obligation specified in the contract is discharged or extinguished or expires.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Earnings per share

Earnings per share are determined by dividing the profit or loss attributable to owners of the Company by the weighted average number of participating shares outstanding during the reporting year.

Dividends

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the end of the reporting period and before the financial statements are authorised for issue are disclosed in the subsequent events note.

Provisions for other liabilities and charges

Provisions for other liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Company has a present obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

4. AMENDMENTS TO IFRS THAT IMPACT THESE FINANCIAL STATEMENTS

New and revised IFRSs adopted during the reporting period

New and revised standards and interpretations listed below were adopted during the reported period but had no material effect on these financial statements.

- Amendments to IAS 19 – "Defined benefit plans: Employee contributions".
- Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).
- Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).

New and revised IFRSs issued but not yet effective

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2016 and which the Company has not early adopted.

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

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

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

The standard is expected to have significant effect on loss provisions created by the Company against accounts receivable from customers. The Company is currently assessing the impact of the new standard on its financial statements.

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

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

Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12 (issued in January 2016 and effective for annual periods beginning on or after 1 January 2017). The amendment has clarified the requirements on recognition of deferred tax assets for unrealised losses on debt instruments. The entity will have to recognise deferred tax asset for unrealised losses that arise as a result of discounting cash flows of debt instruments at market interest rates, even if it expects to hold the instrument to maturity and no tax will be payable upon collecting the principal amount. The economic benefit embodied in the deferred tax asset arises from the ability of the holder of the debt instrument to achieve future gains (unwinding of the effects of discounting) without paying taxes on those gains. The Company is currently assessing the impact of the amendments on its financial statements.

Disclosure Initiative – Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017). The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities. The Company is currently assessing the impact of the amendment on its financial statements.

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

- IFRS 14, Regulatory deferral accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016).
- Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016).
- Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016).
- Agriculture: Bearer plants - Amendments to IAS 16 and IAS 41 (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016).
- Equity Method in Separate Financial Statements – Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016).
- Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016).
- Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods beginning on or after 1 January 2016).
- Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods beginning on or after 1 January 2016).

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

5. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

Property, equipment and intangible assets comprise the following:

	Buildings and other properties	Furniture and equipment	Vehicles	Other non-current tangible assets	Total property and equipment	Intangible assets	Total
Cost at 1 January 2014	**29,209**	**6,615**	**3,666**	**1,076**	**40,566**	**51,379**	**91,945**
Accumulated depreciation at 1 January 2014	**(6,846)**	**(3,598)**	**(1,538)**	**(723)**	**(12,705)**	**(30,531)**	**(43,236)**
Carrying amount at 1 January 2014	**22,363**	**3,017**	**2,128**	**353**	**27,861**	**20,848**	**48,709**
Additions	**-**	**2,457**	**-**	**100**	**2,557**	**432**	**2,989**
Disposals – cost	**(647)**	**(638)**	**(815)**	**(336)**	**(2,436)**	**(27,066)**	**(29,502)**
assets acquired for own funds	(30)	(530)	(738)	(321)	(1,619)	(4,214)	(5,833)
assets acquired for budgetary funds	(617)	(108)	(77)	(15)	(817)	-	(817)
assets recorded through equity	-	-	-	-	-	(22,852)	(22,852)
Disposals – accumulated depreciation	**617**	**272**	**815**	**135**	**1,839**	**17,665**	**19,504**
assets acquired for own funds	-	165	738	120	1,023	4,440	5,463
assets acquired for budgetary funds	617	107	77	15	816	-	816
assets recorded through equity	-	-	-	-	-	13,225	13,225
Depreciation charge	**(566)**	**(806)**	**(343)**	**(74)**	**(1,789)**	**(2,609)**	**(4,398)**
assets acquired for own funds	(267)	(805)	(343)	(71)	(1,486)	(1,221)	(2,707)
assets acquired for budgetary funds	(34)	(1)	-	(1)	(36)	-	(36)
assets recorded through equity	(265)	-	-	(2)	(267)	(1,388)	(1,655)
Impairment	**(21,348)**	**-**	**(2)**	**(3)**	**(21,353)**	**-**	**(21,353)**
assets acquired for own funds	(135)	-	-	(2)	(137)	-	(137)
assets recorded through equity	(21,213)	-	(2)	(1)	(21,216)	-	(21,216)
Carrying amount at 31 December 2014	**419**	**4,302**	**1,783**	**175**	**6,679**	**9,270**	**15,949**
Cost at 31 December 2014	**28,562**	**8,434**	**2,851**	**840**	**40,687**	**24,745**	**65,432**
Accumulated depreciation at 31 December 2014	**(6,795)**	**(4,132)**	**(1,066)**	**(662)**	**(12,655)**	**(15,475)**	**(28,130)**
Accumulated impairment	**(21,348)**	**-**	**(2)**	**(3)**	**(21,353)**	**-**	**(21,353)**

	Buildings and other properties	Furniture and equipment	Vehicles	Other non-current tangible assets	Total property and equipment	Intangible assets	Total
Carrying amount at 31 December 2014	**419**	**4,302**	**1,783**	**175**	**6,679**	**9,270**	**15,949**
Additions	**-**	**4,074**	**-**	**594**	**4,668**	**908**	**5,576**
Disposals – cost	**(469)**	**(759)**	**(795)**	**(232)**	**(2,255)**	**(9,128)**	**(11,383)**
assets acquired for own funds	(452)	(402)	(795)	(113)	(1,762)	(269)	(2,031)
assets acquired for budgetary funds	(17)	(357)	-	(119)	(493)	(8,859)	(9,352)
Disposals – accumulated depreciation	**469**	**727**	**441**	**226**	**1,863**	**9,121**	**10,984**
assets acquired for own funds	452	370	441	107	1,370	262	1,632
assets acquired for budgetary funds	17	357	-	119	493	8,859	9,352
Depreciation charge	**(52)**	**(1,801)**	**(408)**	**(174)**	**(2,435)**	**(2,085)**	**(4,520)**
assets acquired for own funds	(35)	(1,801)	(408)	(173)	(2,417)	(2,085)	(4,502)
assets acquired for budgetary funds	(17)	-	-	(1)	(18)	-	(18)
Impairment	**(328)**	**-**	**-**	**-**	**(328)**	**-**	**(328)**
assets acquired for own funds	(243)	-	-	-	(243)	-	(243)
assets acquired for budgetary funds	(85)	-	-	-	(85)	-	(85)
Carrying amount at 31 December 2015	**39**	**6,543**	**1,021**	**589**	**8,192**	**8,086**	**16,278**
Cost at 31 December 2015	**28,093**	**11,749**	**2,056**	**1,202**	**43,100**	**16,525**	**59,625**
Accumulated depreciation at 31 December 2015	**(6,378)**	**(5,206)**	**(1,033)**	**(610)**	**(13,227)**	**(8,439)**	**(21,666)**
Accumulated impairment	**(21,676)**	**-**	**(2)**	**(3)**	**(21,681)**	**-**	**(21,681)**
Carrying amount at 31 December 2015	**39**	**6,543**	**1,021**	**589**	**8,192**	**8,086**	**16,278**

As at 31 December 2015 and 2014 property, equipment and intangible assets included no such items:

- property and equipment with legal restrictions on ownership, use or disposal;
- pledged property, equipment and intangible assets;
- temporarily idle (on standby, under reconstruction etc.) property and equipment other than disclosed below;
- property and equipment held for sale;
- intangible assets restricted in ownership.

As at 31 December 2015 and 2014, property, equipment and intangible assets include fully depreciated items of property and equipment and intangible assets in the amount of UAH 36,812 thousand and UAH 46,323 thousand, respectively.

Property and equipment include assets transferred to the Company by the Ministry of Defence of Ukraine based on the respective Cabinet of Ministers of Ukraine decree. These assets were recognised through equity at fair value in 2004 and 2005. During 2014, as the Company had lost physical control over these assets located in Crimea as a result of temporary occupation, management decided to recognise impairment of these assets through equity for the total amount of UAH 21,217 thousand. Carrying amount of these assets less accumulated depreciation and impairment is nil as at 31 December 2015 and 2014.

The Company's recognised intangible assets include an internally generated intangible asset representing a database of security identification number registers carried at UAH 4,531 thousand and UAH 6,042 thousand at 31 December 2015 and 2014, respectively.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	31 December 2015	31 December 2014
Accounts with Ukrainian banks, including:	**1,598**	**1,238**
in UAH	1,121	1,204
in USD	347	33
in EUR	126	-
in RUB	4	1
Accounts with depositary and other stock market infrastructure institutions, including:	**1,224**	**23,248**
international depositary institutions	277	809
in USD	170	751
in EUR	103	55
in RUB	4	3
domestic stock market infrastructure institutions	947	22,439
in UAH	945	22,438
in USD	2	-
in RUB	-	1
Term deposits with Ukrainian banks	**83,940**	**82,500**
Total cash and cash equivalents	**86,762**	**106,986**
Own funds, including:	**85,926**	**84,563**
in UAH	85,173	83,719
in USD	516	784
in EUR	229	55
in RUB	8	5
Customer funds in settlements, including:	**836**	**22,423**
in UAH	833	22,423
in USD	3	-
Total cash and cash equivalents	**86,762**	**106,986**

Term deposits totalling UAH 83,940 thousand are placed with Ukrainian state-owned banks, denominated in UAH and have maturities of less than three months as at 31 December 2014 and 2015. As at 31 December 2015, term deposits carry the interest rate of 18.5% (2014: 18.5%).

All bank accounts except term deposits represent demand deposits. As at 31 December 2015, demand deposits with Ukrainian state-owned banks represented 98% of total demand deposits with banks (2014: 61%).

Interest rates on demand deposits range between 0% and 2% (2014: between 0% and 2%).

All bank balances are uncollateralised and neither past due nor impaired.

Cash and cash equivalents for the purpose of the statement of cash flows exclude balances of customer funds in settlements which are restricted from use by the Company in the normal course of business, and accrued interest on deposits:

	31 December 2015	31 December 2014
Total cash and cash equivalents	86,762	106,986
Less: Accrued interest on deposits	1,440	-
Less: Customer funds in settlements	836	22,423
Cash and cash equivalents for the purpose of cash flow statement	**84,486**	**84,563**

7. ACCOUNTS RECEIVABLE FOR SERVICES PROVIDED

Accounts receivable for services provided comprise the following:

	31 December 2015	31 December 2014
Accounts receivable for services provided:		
Accounts receivable from depositary operations:		
services to custodians and depositary institutions:	1,034	850
services to issuers:	12,144	8,339
services to correspondent depositories, including:	3	2
in RUB	3	2
Accounts receivable for services rendered by the Accredited Certification Authority	52	15
Accounts receivable for assignment of international securities identification numbers	4	32
Accounts receivable for general shareholder meeting facilitation services to issuers	5	-
Total accounts receivable for services provided before impairment	**13,242**	**9,238**
Less impairment loss provision	(9,255)	(2,534)
Total accounts receivable for services provided	**3,987**	**6,704**

Accounts receivable for services provided are denominated in UAH and RUB.

Movements in impairment loss provision for accounts receivable are disclosed in Note 15.

Analysis of accounts receivable for services provided by credit quality as at 31 December 2015 and 2014 is presented below. Impaired receivables include balances from counterparties mainly operating in areas not controlled by Ukrainian Government totalling UAH 110 thousand as at 31 December 2015 (2014: UAH 64 thousand). Impairment provision in the amount of UAH 110 thousand (2014: UAH 64 thousand) was recorded in respect of these balances. Other impaired accounts receivable relate to counterparties with financial difficulties or in the process of liquidation.

The Company's maximum exposure to credit risk is reflected in the carrying amounts of each class of accounts receivable for services provided.

The Company does not hold any collateral as security against accounts receivable for services provided.

Accounts receivable for services provided are analysed by credit quality as at 31 December 2015 as follows:

	Accounts receivable for services provided				
	depositary operations	services rendered by the Accredited Certification Authority	assignment of international securities identification numbers	general shareholder meeting facilitation services	**Total**
Neither past due nor impaired, exposure to:					
- custodians and depositary institutions	434	-	-	-	434
- issuers	976	18	-	-	994
- correspondent depositories	3	-	-	-	3
Total neither past due nor impaired	**1,413**	**18**	**-**	**-**	**1,431**
Past due but not impaired:					
- less than 30 days overdue	549	2	-	-	551
- 31 to 60 days overdue	370	32	4	5	411
Total past due but not impaired	**919**	**34**	**4**	**5**	**962**
Impaired accounts receivable	**10,849**	**-**	**-**	**-**	**10,849**
Total accounts receivable for services provided before impairment	**13,181**	**52**	**4**	**5**	**13,242**
Less impairment loss provision	(9,255)	-	-	-	(9,255)
Total accounts receivable for services provided	**3,926**	**52**	**4**	**5**	**3,987**

Accounts receivable for services provided are analysed by credit quality as at 31 December 2014 as follows:

	Accounts receivable for services provided				
	depositary operations	services rendered by the Accredited Certification Authority	assignment of international securities identification numbers	general shareholder meeting facilitation services	**Total**
Neither past due nor impaired, exposure to:					
- custodians and depositary institutions	416	-	-	-	416
- issuers	1,218	7	32	-	1,257
- correspondent depositories	2	-	-	-	2
Total neither past due nor impaired	**1,636**	**7**	**32**	**-**	**1,675**
Past due but not impaired:					
- less than 30 days overdue	651	6	-	-	657
- 31 to 60 days overdue	462	2	-	-	464
- 61 to 365 days overdue	3,863	-	-	-	3,863
Total past due but not impaired	**4,976**	**8**	**-**	**-**	**4,984**
Impaired accounts receivable	**2,579**	**-**	**-**	**-**	**2,579**
Total accounts receivable for services provided before impairment	**9,191**	**15**	**32**	**-**	**9,238**
Less impairment loss provision	(2,534)	-	-	-	(2,534)
Total accounts receivable for services provided	**6,657**	**15**	**32**	**-**	**6,704**

8. OTHER ASSETS

Other assets are presented as follows:

	31 December 2015	31 December 2014
Other financial assets:		
Accounts receivable from employees	30	41
Total other financial assets	**30**	**41**
Other non-financial assets:		
Deferred expenses	177	162
Taxes recoverable and prepaid, other than income tax	687	20
Other advances and prepayments, including:	1,207	7,163
operating leases prepaid	575	1,150
prepayments for property and equipment	-	5,670
Total other non-financial assets	**2,071**	**7,345**
Total other assets	**2,101**	**7,386**

Accounts receivable from employees are UAH-denominated and neither past due nor impaired as at 31 December 2015 and 2014.

The Company's maximum exposure to credit risk is reflected in the carrying amounts of each class of other financial assets.

9. SHARE CAPITAL

	31 December 2015	31 December 2014
Number of ordinary shares in issue	10,320	10,320
Share capital registered and paid in	103,200	103,200
Total share capital	**103,200**	**103,200**

As at 31 December 2015 and 2014 registered and pain-in share capital comprised 10,320 ordinary registered shares with a par value of UAH 10,000.00 each.

The Company has no bearer shares or preference shares in issue.

The Company's shareholders have the right to:

(i) participate in governing the Company (through attendance and voting at General Shareholder Meetings both in person and by proxy);

(ii) have access to information about the Company's operations;

(iii) receive their share of the Company's assets in kind or in cash in case of liquidation;

(iv) decide on allocation of profits according to the Company Charter;

(v) receive dividends.

The Company has no options or sales contracts in respect of its shares.

The Company's distributable profit is limited to the amount of reserves disclosed in its financial statements. Non-distributable reserves represent the reserve capital established in accordance with the requirements of the Ukrainian legislation to cover unforeseen losses from uncertain risks arising from operations. The reserve capital is established according to the Company's Articles of Association based on the shareholders' decision in the amount required by law, provided that annual allocation is not less than 5% of net profit. As at 31 December 2015, the reserve capital totalled UAH 2,164 thousand (2014: UAH 1,583 thousand).

Starting from October 2014 and during 2015, the Company's shareholders are excluded from qualifying for quorum and voting in the Company's governance bodies unless they have signed an agreement for servicing of a securities account in their own name with the depositary institution nominated by the Company or have transferred their rights to securities into their securities account with another depositary institution.

During 2015 and 2014, the Company paid dividends of UAH 5,695 thousand and UAH 5,830 thousand, respectively, to its shareholders.

10. ACCOUNTS PAYABLE FOR SERVICES

Accounts payable for services represent prepayments received for services to counterparties and comprise the following:

	31 December 2015	31 December 2014
Accounts payable for services:		
Accounts payable for depositary operations:		
services to custodians and depositary institutions	49	29
services to issuers	2,186	2,005
Accounts payable for custodian services	82	57
Accounts payable for services rendered by the Accredited Certification Authority	6	4
Accounts payable for assignment of international securities identification numbers	137	547
Accounts payable for general shareholder meeting facilitation services to issuers	22	36
Total accounts payable for services	**2,482**	**2,678**

11. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

Provisions for other liabilities and charges represent the provision for unused vacations of UAH 2,538 thousand (2014: UAH 2 thousand).

12. OTHER LIABILITIES

Other liabilities are presented as follows:

	31 December 2015	31 December 2014
Other financial liabilities:		
Liabilities for customer settlements	836	22,423
Total other financial liabilities	**836**	**22,423**
Other non-financial liabilities:		
Salaries payable	944	794
Taxes payable other than on income	499	393
Dividends payable	217	111
Other	103	226
Total other non-financial liabilities	**1,763**	**1,524**
Total other liabilities	**2,599**	**23,947**

Liabilities for customer settlements are presented by currency as follows:

	31 December 2015	31 December 2014
Liabilities for customer settlements, including:		
in UAH	834	22,423
in USD	2	-
Total liabilities for customer settlements	**836**	**22,423**

Liabilities for customer settlements are payable on customer instructions and have maturities of less than one month as at 31 December 2015 and 2014.

13. INCOME FROM DEPOSITARY OPERATIONS

Income from depositary operations are presented as follows:

	Year ended 31 December 2015	Year ended 31 December 2014
Depositary operations:		
services to custodians and depositary institutions:		
record-keeping transactions	2,769	2,652
including liquidation custodian services	38	187
administrative transactions	263	183
including liquidation custodian services	13	62
international transactions	741	389
settlement transactions	278	305
payment centre transactions	6	6
liquidity maintenance transactions ordered by the NBU	-	2
other transactions	1,504	1,455
services to issuers:		
record-keeping transactions	27,771	26,573
information transactions	7,664	7,529
settlement transactions	598	1,665
other transactions	795	748
services to correspondent depositories	29	19
Total income from depositary operations	**42,418**	**41,526**

14. OPERATING LEASE

During 2015, the Company's operating lease expenses totalled UAH 9,171 thousand (2014: UAH 691 thousand). During 2015, the Company changed its place of business followed by significant increase in lease payments under the new agreement, as under the previous agreement the Company only covered actual maintenance costs in respect of its premises and curtilage, and utility costs. Future operating lease payments are disclosed in Note 20.

15. PROVISION FOR IMPAIRMENT LOSSES

Movements in impairment loss provision mainly relat to accounts receivable for depositary services provided to issuers and comprise the following:

	Accounts receivable for services provided	Total
31 December 2013	**-**	**-**
Charge to provision	2,534	**2,534**
31 December 2014	**2,534**	**2,534**
Charge to provision	7,425	**7,425**
Write off of assets	(704)	**(704)**
31 December 2015	**9,255**	**9,255**

16. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprise:

	Year ended 31 December 2015	Year ended 31 December 2014
Household expenses	2,744	2,341
Maintenance of property and equipment	1,855	814
Taxes other than on income	1,262	521
Communication services	1,219	696
Utility costs	830	384
Consultancy services	576	473
Office supplies	433	338
Bank fees	380	299
Travel expenses	233	192
Professional membership fees	173	132
Professional services	173	24
Insurance	147	201
Data processing and IT support	142	167
Security expenses	86	80
Advertising expenses	84	100
Hospitality expenses	26	127
Fines and penalties	1	1
Other expenses	465	818
Total general and administrative expenses	**10,829**	**7,708**

17. NET GAIN FROM TRADING IN FOREIGN CURRENCIES

Net gain from trading in foreign currencies is presented as follows:

	Year ended 31 December 2015	Year ended 31 December 2014
Trading transactions, net	4	(6)
Foreign exchange differences, net	369	467
Total net gain from trading in foreign currencies	**373**	**461**

18. FINANCE INCOME

Net finance income for the period is presented as follows:

	Year ended 31 December 2015	Year ended 31 December 2014
Interest income		
Interest income on financial assets carried at amortised cost:		
- interest income on unimpaired assets	16,796	15,266
Total interest income	**16,796**	**15,266**
Interest income on financial assets:		
Interest income on term deposits with banks	16,531	14,094
Interest income on demand balances with banks	265	1,172
Total interest income	**16,796**	**15,266**

19. INCOME TAX

Income tax expense recorded in profit or loss comprises the following:

	31 December 2015	31 December 2014
Current income tax expense	2,029	3,958
Deferred income tax (benefit)/expense	(1,665)	-
Income tax expense for the year	**364**	**3,958**

The Company calculates income tax payable based on its statutory accounting records that are maintained and prepared in accordance with requirements of Ukrainian tax legislation and may differ from IFRS. The Company is exposed to certain permanent differences arising from non-deductible expenses and income exempt from taxation.

Deferred tax represents net tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. Temporary differences as at 31 December 2015 and 2014 mainly arise due to different income and expense recognition policies and different carrying amounts of some assets.

Temporary differences as at 31 December 2015 relate to provisions for impairment of accounts receivable for services provided of UAH 9,255 thousand.

Under the Tax Code of Ukraine, the income tax rate applicable to the Company's 2015 and 2014 income was 18%.

Deferred income tax assets and liabilities are measured at the tax rates expected to apply for the period when the asset is realised or the liability is settled.

Reconciliation of the income tax expense and accounting profit for the years ended 31 December 2015 and 2014 is given below:

	Year ended 31 December 2015	Year ended 31 December 2014
Profit before tax	**678**	**15,560**
Income tax at the statutory tax rate	122	2,801
Tax effect of other permanent differences	242	1,157
Income tax expense	**364**	**3,958**
Current income tax charge	2,029	3,958
Deferred income tax (benefit)/expense	(1,665)	-
Income tax expense	**364**	**3,958**

20. CONTINGENCIES AND COMMITMENTS

Operating lease commitments

Where the Company is the lessee, the future minimum lease payments under operating leases as at 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Not later than 1 year	15,059	10,696
Later than 1 year and not later than 5 years	12,471	18,686
Total operating lease commitments	**27,530**	**29,382**

The future minimum lease payments were estimated based on the operating lease conditions that applied at each year-end.

Legal proceedings

From time to time and in the normal course of business, claims may be received against the Company to cover losses and damages incurred by plaintiffs or the Company may act as a defendant in legal complaints proceedings. On the basis of information available to the Company, Management is of the opinion that the probability of outflow resulting from such hearings, claims or proceedings is remote and as such, no additional provisions have been made in these financial statements in respect of these legal proceedings.

Taxation

Provisions of Ukrainian tax legislation are sometimes inconsistent and may have more than one interpretation. Due to this fact and the enforcement practice in a generally volatile economic environment, which allows Ukrainian tax authorities to take decisions based on their own arbitrary interpretation of various areas of operations, the Company may have to recognise additional tax liabilities, fines and penalties if tax authorities challenge some interpretation made on the basis of management estimates. Such uncertainty could, in particular, be attributed to measurement of financial instruments, impairment loss provisions and market basis of pricing. Fiscal periods remain open to review by the authorities for three calendar years preceding the year of review.

With effect from 1 January 2015, the Ukrainian tax system was significantly reformed by the adoption of changes that relate, in particular, to rules of calculation of the taxable base, taxation of provisions and settlement of bad debts, and recognition of VAT.

21. FAIR VALUE DISCLOSURES

Fair values represent present estimates that may be revised in future to reflect changes in market conditions or other factors. Fair value represents the Company's estimate of amounts at which financial instruments may be exchanged with willing or interested third parties. Where estimates are made, these estimates represent management's best estimate based on a range of techniques and assumptions; as these involve uncertainty, fair values may not necessarily be realised on actual sale or settlement of instruments.

Fair value measurements are analysed by level in the fair value hierarchy as follows:

- (i) Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities,
- (ii) Level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and
- (iii) Level 3 measurements are valuations not based on solely observable market data (that is, unobservable inputs).

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

The Company has no significant assets and liabilities for which fair value is measured on recurring basis.

Fair values analysed by level in the fair value hierarchy and carrying value of assets and liabilities not measured at fair value as at 31 December 2015 are as follows:

		31 December 2015			
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Cash and bank accounts including:					
own funds	85,926	1,986	83,940	-	85,926
customer funds in settlements	836	836	-	-	836
Accounts receivable for services provided	3,987	-	-	3,987	3,987
Other financial assets	30	-	-	30	30
Total financial assets	**90,779**	**2,822**	**83,940**	**4,017**	**90,779**
Financial liabilities					
Accounts payable for services	2,482	-	-	2,482	2,482
Other liabilities including:					
customer settlements	836	836	-	-	836
Total financial liabilities	**3,318**	**836**	**-**	**2,482**	**3,318**

Fair values analysed by level in the fair value hierarchy and carrying value of assets and liabilities not measured at fair value as at 31 December 2014 are as follows:

		31 December 2014			
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Cash and bank accounts including:					
own funds	84,563	2,063	82,500	-	84,563
customer funds in settlements	22,423	22,423	-	-	22,423
Accounts receivable for services provided	6,704	-	-	6,704	6,704
Other financial assets	41	-	-	41	41
Total financial assets	**113,731**	**24,486**	**82,500**	**6,745**	**113,731**

Financial liabilities					
Accounts payable for services	2,678	-	-	2,678	2,678
Other liabilities including:					
customer settlements	22,423	22,423	-	-	22,423
Total financial liabilities	**25,101**	**22,423**	**-**	**2,678**	**25,101**

Fair values of financial instruments approximate their carrying amounts at each reporting date.

22. PRESENTATION OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY

For the purposes of measurement, IAS 39, Financial Instruments: Recognition and Measurement, classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss ("FVTPL"). Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading. In addition, finance lease receivables form a separate category.

As at 31 December 2015 and 31 December 2014, other long-term financial investments of the Company are classified as financial assets available-for-sale and all other financial assets are classified as loans and receivables.

As at 31 December 2015 and 31 December 2014 all financial liabilities were carried at amortised cost.

23. FINANCIAL RISK MANAGEMENT

The Company is exposed to a number of financial risks resulting from its operations, as discussed below. The Company seeks to control and mitigate adverse effects from these risks by means of its risk management policies and processes.

(A) Credit risk

Credit risk is the risk of financial loss to the Company if a borrower, counterparty or participant fails to meet its contractual obligations, and arises principally from the Company's cash and cash equivalents, customer funds in settlements and their equivalents and trade receivables.

(I) Cash and cash equivalents

The Company manages credit risk arising from its cash and cash equivalents by placing the majority of its cash and cash equivalents with large state-owned Ukrainian banks.

(II) Customer funds in settlements and their equivalents

The Company manages credit risk arising from customer funds in settlements and their equivalents by fully restricting the use of this cash for the Company's needs.

(III) Accounts receivables

The Company is exposed to credit risk arising from uncollectible receivables due to the particular profile of its customers, many of whom are banks and financial institutions. The Company invoices its customers on a regular basis and follows up on collections to minimise overdue receivables. The Company has no credit risk concentration arising from trade receivables from a single customer. Moreover, customers with poor payment histories with the Company no longer have access to continuous listing, trading, clearing, data access and other services.

(B) Market risk

Market risk is the risk of loss arising from movements in market prices and rates, such as currency exchange and interest rates.

(I) Currency risk

The Company is not exposed to currency risk arising from its foreign currency-denominated cash and cash equivalents, trade accounts receivable and payable due to insignificant volumes of such transactions.

(II) Interest rate risk

The interest rate risk is insignificant as the Company has no interest-bearing financial liabilities. The Company places deposits with large Ukrainian state-owned banks with original maturities of less than 3 months. The interest rate on term deposits was 18.5% as at 31 December 2015 (2014: 18.5%).

(C) Liquidity risk

Liquidity risk is the risk of sustaining loss as a result of the Company or its counterparty failing to meet their obligations on time or at market prices. The company manages liquidity risk by managing cash and cash equivalents held as short-term instruments or highly liquid assets.

Financial liabilities of the Company have contractual maturities of less than one year, except operating lease commitments (Note 20). Accounts payable for services and other liabilities for customer settlements are payable within three months. All short-term liabilities of the Company are fully covered by highly liquid assets represented by cash and cash equivalents.

(D) Geographical concentrations

The Company's assets and liabilities are mainly concentrated in Ukraine. Transactions and balances with other countries are insignificant.

24. MANAGEMENT OF CAPITAL

The Company’s principal objectives when managing capital are:

• to maintain sufficient financial resources and capital for sustainable operations and compliance with requirements imposed by the National Securities and Stock Market Commission;

• to maintain sufficient level of capital and liquidity to meet the Company's liabilities as they fall due;

• to maintain sufficient financial resources to support operations and growth of business.

As at 31 December 2015, the Company is required to maintain some prudential ratios, as defined in Chapter V of the Regulation "On prudential ratios applicable to professional stock market participants and requirements to risk management system" approved by the National Securities and Stock Market Commission Resolution No 1597 dated 1 October 2015 (the "Regulation").

The capital under management represents regulatory capital, or the Company's own funds as defined by the Regulation, used for calculation of prudential ratios, namely:

- own funds adequacy ratio that reflects CSD's ability to maintain own funds at the level sufficient to cover financial overheads during three months, even in the absence of income during this period. This ratio is calculated as the ratio of the Company's own funds to 25% fixed overheads, with the required minimum of 1;
- operating risk coverage ratio that reflects CSD's ability to ensure coverage of its operating risks with own funds at the level of 15% of annual average positive net income for 3 preceding financial years, with the required minimum of 1.

As at 31 December 2014, the Company was required by the National Securities and Stock Market Commission to maintain some prudential ratios, as defined in Chapter V of the Regulation "On prudential ratios applicable to professional stock market participants (depositary and clearing operations) and requirements to risk management system" approved by the National Securities and Stock Market Commission Resolution No 37 dated 15 January 2013.

As at 31 December 2015 and 2014, the Company was in compliance with each of these ratios.

25. RELATED PARTY TRANSACTIONS

Under IAS 24 "Related Party Disclosures", parties are related if they are under common control or if one party has the ability to exercise control or significant influence over the other party's operational and financial decisions. In considering each possible related party relationship, attention is given to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties may not and transactions between related parties may not be executed on the same terms and conditions as transactions between unrelated parties.

Transactions and balances with related parties related to:

- significant shareholders of the Company;
- entities under direct or indirect control or significant influence of the State;
- key management personnel.

Balances with significant shareholders of the Company and key management personnel as at 31 December 2015 and 2014, and related income and expense items for 2015 and 2014, were as follows:

	31 December 2015		31 December 2014	
	Significant shareholders of the Company	**Key management personnel**	**Significant shareholders of the Company**	**Key management personnel**
Cash and cash equivalents				
– accounts with Ukrainian banks:	558	-	127	-
– term deposits with Ukrainian banks	83,940	-	83,940	-
Accounts receivable for services provided	13	-	15	-
Other liabilities	-	95	-	96

	2015		2014	
	Significant shareholders of the Company	**Key management personnel**	**Significant shareholders of the Company**	**Key management personnel**
Interest income	16,545	-	963	-
Fee and commission expense	(11)	-	(3)	-
Income from depositary operations	230	-	180	-

During 2015, total compensation and other benefits of key management personnel comprised UAH 3,354 thousand (including the unified social contribution of UAH 448 thousand) (2014: UAH 3,249 thousand (including the unified social contribution of UAH 460 thousand)).

In the normal course of business, the Company as a CSD provides services to all entities under direct or indirect control or significant influence of the State that require depositary services. The Company provides a full range of depositary services to such entities.

Balances with entities under direct or indirect control or significant influence of the State, that are significant in terms of carrying values as at 31 December 2015, and related income and expense items for 2015 were as follows:

Entity	Industry	Cash and cash equivalents	Accounts receivable for services	Accounts payable for services	Fee and commission expenses	Operating expenses	Income from depositary operations	Interest income
Company 1	Financial services (State-owned banks)	1,011	4	-	10	7	75	3
Company 2	Financial services (banks)	111	-	-	28	284	21	247

Balances with entities under direct or indirect control or significant influence of the State that are significant in terms of carrying values as at 31 December 2014 and related income and expense items for 2014 were as follows:

Entity	Industry	Cash and cash equivalents	Accounts receivable for services	Accounts payable for services	Fee and commission expenses	Operating expenses	Income from depositary operations	Interest income
Company 1	Financial services (State-owned banks)	632	6	1	6	7	74	5,353
Company 2	Financial services (banks)	16	-	65	13	442	21	1,124